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Wednesday, June 22, 1977

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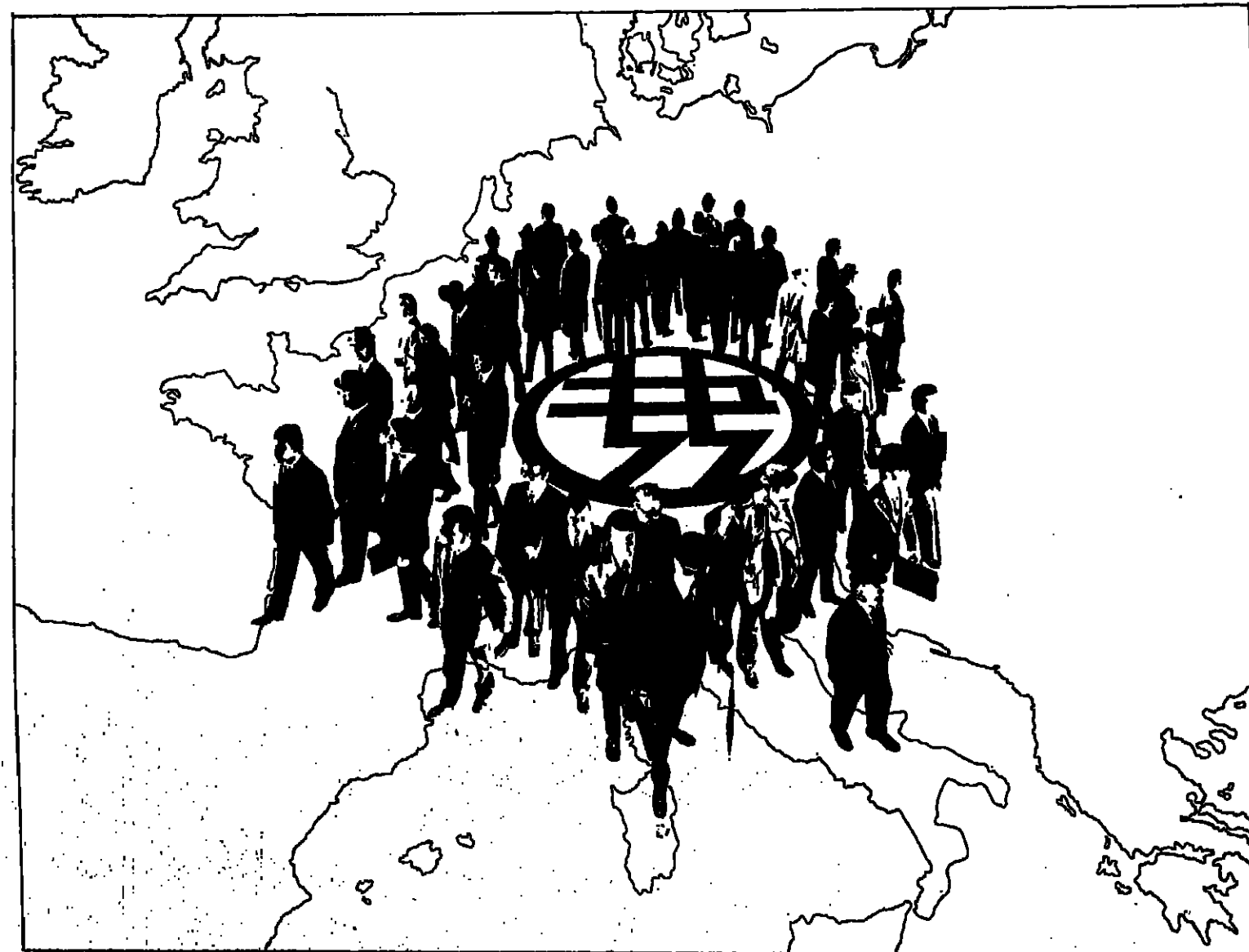
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הכזה מן האל



Cover picture by David Rubinger.

In this issue

David Krivine interviews Dr. Yaacov Cohen on the economic implications of Israel's agreement with the European Community.

Dr. Sergio Minerbi surveys the negotiations with the European Community.

Jack Maurice, Anthony Murray and Mark Segal report from Paris, Bonn, London and Brussels.

Joseph Morgenstern tells of development and prospects of Elscint Ltd.

Aaron Shitler describes success story of Bagir Ltd.

Maccabee Dean interviews Avraham Shavit, President of Manufacturers' Association, and Eli Hurvitz, President of Export Institute on impact of Israel's association with the European Community.

Maccabee Dean describes programmes and prospects of Koor Ltd. in relation to the Common Market.

Maccabee Dean surveys Koortrade's expansion into European market.

Yitzhak Oked tells story of Agrexco's success in developing and selling Israel's agricultural products in Europe.

Zeev Schul reports on Israel Aircraft Industries' efforts to take advantage of European market.

Maccabee Dean describes role of Israel's leading banks in assisting Israel's export drive in Europe.

David Krivine interviews Dr. Manfred Gerstenfeld on adjustments of Israel's industry to the association with the European Community.

Motorola — an expanding export industry, as described by Maccabee Dean.

Laser Industries — an example of the sophisticated industries Israel wants to develop, as described by Joseph Morgenstern.

Maccabee Dean reports on Folkman and Kopler Ltd., an example of the transition from the domestic to the foreign market.

THE APPLICATION of the trade treaty concluded between Israel and the Common Market on May 11, 1975, has reached a critical phase. The occasion could be seen as the official inauguration of a new relationship.

On Friday, July 1, two things are scheduled to happen: the process of dismantling Europe's tariff on imports from Israel will terminate; the process of dismantling Israel's tariffs on imports from the European Community will begin.

The initial cut is only 5 per cent — a small warning of things to come. Twelve months later, the tariff in tariffs will be brusquely increased to a substantial 20 per cent. On the first day of 1981 (three-and-a-half years from now), the level of customs duties will have sunk to half. Four years after that, on January 1, 1985, they will have been eliminated altogether.

Shirts from Pierre Cardin (we should live to see the day!) will be subjected to exactly the same taxes as shirts from Ala. Both may be charged a sizeable luxury tax if they are luxuries, but there will no longer be any difference (at least legally speaking) between an imported luxury and one locally made. Nor will there be any fiscal obstacle any more to the sale of Israel's manufactured products on the European market.

This any benefit accrued from the progressive tariff reductions on Israeli goods that have come into force over the last two years, since the treaty was signed?

Israel's exports did well, as it happens, during 1976 (compared with 1975), going up by one-quarter. Sales to the EEC did well too — but not exceptionally well. If Britain is included, shipments increased by 22.5 per cent. Even if Britain is omitted (because its currency was devalued sharply, making all its imports prohibitive), the increase was still only a little above average, or 20.5 per cent.

Yet there was a boom — in the sale of Israel's conventional consumer goods in Europe. If that did not push up the figure for overall exports to the Community, it is because of a disturbing shortfall somewhere else: in the sale of technology-intensive products in which Israel takes a special pride.

THE POINT is made by Dr. Yaacov Cohen, assistant director-general in charge of foreign trade at the Ministry of Commerce and Industry. The export of Israeli textiles to the world at large went up by 24.4 per cent in 1976. To the Nine, it went up by 40.8 per cent, he says.

The same contrast applies in chemicals, up from 28.4 per cent to the world — and 64.8 per cent to Europe (admittedly, after a bad year in that market). These products are sensitive to price changes. So is food: almost two-thirds of Israel's manufactured foodstuffs find their way to the Common Market.

The demand for sophisticated engineering products is less responsive to minor price reductions (and less affected, therefore, by the reduced tariffs), according to Dr. Cohen. Figures, again, tell the story (increased sales between 1975 and 1976, in percentage terms):

	To all countries	To EEC
Machinery and components	84.2	21.9
Electric and electronics	14.7	8.8
Transport products	121.7	22.4

They did not double in Europe. Last year they accounted for 36.2 per cent of Israel's exports to Africa, 46.8 per cent of its exports to South America, 61 per cent of its exports to Asia — and a mere 13.5 per cent of its exports to the European Common Market.

This shortfall is significant, in Yaacov Cohen's view, because it points up the difference between

A NEW PHASE

Israel's relations with the Common Market enter a new phase on July 1.

Tariff barriers on both ends will go down. DAVID KRIVINE probes the implications.



Israel Chemicals' Enzo Nitzani.



The Commerce Ministry's Ya'acov Cohen.

THE SALE of transport products includes the shipment of Westwind jets to America, which of course weights the figures against Europe. On the whole, the increase of sales to Europe is not insubstantial. But the engineering branches are something special. In Israel, they have been expanding faster than any others. Sales of the metals, electronics and engineering sectors together doubled in two years from \$215m. in 1974 to \$435m. in 1976.

He explains: "You cannot sell high-quality, complicated engineering equipment just by charging a few dollars less than the next man. Price is a consideration, but not the only one. Equally important are service and reliability. Are all the purchaser's demands met expeditiously and without fuss — whether he wants a repeat order, or spares and replacements, or instant repair facilities? This is the kind of question that manufacturers in the sophisticated industries — now facing an apparent slowdown in export growth — must ask themselves, before tackling the

biggest (and now most accessible) export market of all.

ENZO NITZANI is deputy director-general of Israel's biggest industrial complex, Israel Chemicals. He is also chairman of the committee on foreign trade in the Manufacturers' Association. He is quietly confident about the future, but does not disguise that problems exist, and warns against complacency.

"Benny Toren's research into the ability of industrial concerns to compete with Europe (he estimates that only 27 per cent will face difficulties) errs in the direction of subjectivity," says Nitzani. "His conclusions hinge on spot-answers given by the manufacturers themselves. Some may be optimistic, others pessimistic, depending on their temperament."

"Basically, the issue is a simple one: how much does it cost to make a product there; how much does it cost to make it here, plus transport expenses? What will not happen, I think, is something like this. Companies that are entirely or mainly based on export, like the Dead Sea Works and Negv Phosphates, can only benefit from free trade."

"At the other end of the spectrum, there are companies which make goods that are clearly not competitive, and depend for their existence entirely on tariff protection." The enterprises concerned mostly produce commodities with a low added value, e.g., items manufactured abroad and assembled here. Such undertakings will go to the wall.

In the middle there is a wide band of firms, each of which faces a crucial test over the coming years. "Most will be able to stand up to the Common Market, some better, some worse," says Nitzani.

"But there will have to be changes. Companies that make a hundred commodities will make 20, and stop manufacturing the rest. The old response of supplying whatever the customer chooses to order is out of date. So is the 'me too' policy of producing here whatever other countries produce. We must carefully select those areas in which we want to specialize, and concentrate hard on them."

FOR A COMPANY that is serious and means business, Mr. Nitzani thinks, free trade with the EEC could be a boon. It is like a rigorous training course in athletics, compelling the Israeli participant to keep moving, lose weight, tone up the muscles, stay fit. At the more technical level, the Common Market offers a kind of vast laboratory for testing and improving products. He explains: "Israel has been a perfectly adequate laboratory for, say, pesticides, because it has a tremendous agriculture, equipped with the best research installations."

"But one of our firms in Israel Chemicals has devised an element out of bromine which renders plastic resistant to fire. Now, Israel's plastics industry does not have the facilities to develop this idea. In Europe, we can link up with a concern that will cooperate in exploiting it to the full."

Speaking as an industrialist, Nitzani does not see the Government's role as ended with the introduction of free trade. When outside competition gets too stiff for the Europeans they are liable, he alleges, to put up non-tariff obstacles — protecting sensitive lines in that way.

The French, for example, will allow the import of certain ar-

ties only if they comply with the specifications of the French Standards Institute. Should an outside product happen not to comply, it is denied entry; which makes the privilege of zero tariffs academic. "We should return blow for blow," he argues. "But our Customs authorities continue to admit all products approved by the French Standards Institute without question."

Then there is the popular prestige enjoyed by imported merchandise. If it is better, okay. But if the Israeli make is just as good, why should it be discriminated against? The problem exists not only here. In most countries, especially small ones, foreign brands possess a special aura.

"The Blue and White campaign is therefore a good thing," he says. "It persuades people to give local wares a decent chance."

THERE ARE other problems. The anti-dumping law has no teeth. The tax system can be a hindrance.

"When the value added tax was introduced, we understood that the sales tax would be cancelled. That has not happened, and we have to pay both." (The explanation given at the time was that the Histadrut would not allow the newly devised VAT to exceed 8 per cent.)

Says Nitzani: "I often make phone calls from home in the late evening to my opposite numbers in America, because when it is day there, it is night-time here. These calls are not recognized as a business expense. Calls from the office are deductible — even if I'm phoning my wife. This isn't reasonable."

Then there are human problems: a lack of good professional managers and of good multi-language secretaries.

"I have the impression that we are not producing a cadre of competent personnel to man the services on which industry depends." Blue-collar workers are trained, white-collar staff are overlooked.

DR. YAACOV COHEN points out that Israel does not intend to confine its policy on tariff preferences exclusively to the Common Market.

"We have no desire to transfer all our purchases to the Nine, at the expense of our other supplier countries."

The procedures of GATT will be used to extend the tariff-reducing process to other countries. Each case involves bilateral negotiation, because "we expect something in return," he stresses.

The trend in Israel is towards universal free trade, and Dr. Cohen adds his voice to those who warn that bringing the Common Market treaty into operation will not be an entirely painless experience. Mr. Toren's report, mentioned above, estimates that, as one result, an average of 1,800 persons a year will lose their jobs between now and 1988.

They will be absorbed again in growth industries, but there must be the necessary flexibility and adaptation, to make sure that happens.

"We are accustomed to sheltering behind a higher tariff wall than most of our customers and suppliers," says Dr. Cohen. "Today our level of duties on industrial goods is 25-30 per cent. That situation is going to change. We shall be undergoing the ordeal that the EEC and EFTA countries went through during the 1960s."

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הגזא מן הארץ

JULY 1 is an historic date for Israel — on that day its industrial products will enter the European Community free of duty. This comes after diplomatic activity which lasted many years, and was particularly complex because of the very nature of the Community itself.

Seldom has so much ingenuity been applied — and co-ordinated — in a single operation. On the one hand, the substance of each proposal had to be examined in depth with the relevant Israeli economic ministries. Then, a special kind of international ping-pong developed, bringing our representatives time and again to the Commission in Brussels, then to the capitals of the Community's members, and back again to Brussels.

At a very early stage Israel realized the importance of the newly-established European Economic Community, and shortly after the signing of the Treaty of Rome (March 1957) took steps to establish a close relationship. The reasons for this approach were various. First, the economic motive. The six founding members of the Community would form a bloc of countries which were already important clients for Israeli exports, and it was necessary to ensure that the flow of goods continued after the establishment of the Common Market.

Another evident reason was political. Israel, being isolated in its own area, needed friends elsewhere. Relations with France were still particularly good then since it was shortly after the Suez campaign of 1956.

The first Israeli memorandum was submitted to the Commission of the EEC in Brussels on October 30, 1958, and in 1959 Israel was one of the first "third countries" to appoint an Ambassador to the Community, Mr. Gideon Rafael.

David Ben-Gurion, then Prime Minister, went to Brussels in June 1960 to meet with Prof. Hallstein, at the time President of the Commission, and Mr. Jean Rey, who was in charge of external affairs. Although Ben-Gurion was known for his lack of interest in economic affairs, he made it clear that Israel wished eventually to become an associated member of the Community.

A few days earlier Ben-Gurion had met twice in Paris with President De Gaulle, in an atmosphere of deep friendship, and had raised with him too the question of Israel's being associated to the Common Market.

Israel had not yet established diplomatic relations with the Federal Republic of Germany, but in March 1960 Ben-Gurion met at the Waldorf Astoria in New York with German Chancellor Konrad Adenauer, and received assurances of financial aid after the ending of the reparations agreement ("shilumim"). Thus Israel was coming to the Commission in Brussels with a record of good relations with two of its most important members.

In a memorandum submitted by the Israeli Ministry for Foreign Affairs in September 1960, Israel expressed its wish for full association with the Common Market in accordance with article 238 of the Treaty of Rome, leading to a customs union and even to the co-ordination of economic policies.

But the road to the first agreement was to be long and full of obstacles, political as well as economic. The Arab countries were at that time hostile towards the Community, and no one wanted to antagonize them even further. Also, Italy seemed afraid

DIPLOMATIC STRUGGLE

Israel was one the first nations outside Europe to seek affiliation with the Common Market, almost from its very beginning. SERGIO I.MINERBI, an expert on the subject, traces the diplomatic background of Israel's effort.



Ben-Gurion and Adenauer: Israel's good relations with the European powers led to Common Market association.

of possible Israeli competition in the sale of oranges.

Israel had to learn the hard way the system of decision-making in the Community. The Commission in Brussels was a dynamic body with some enthusiastic "Eurocrats" willing to foster relations with third countries, including Israel. But the political decision remained with the Council of Ministers, which met once a month. Between meetings the Permanent Representatives had to prepare the agenda. These representatives could act only on instructions from the member capitals, and it was therefore necessary to present the Israeli case with equal technical skill in the other five capitals as well as Brussels.

ISRAELI approaches were co-ordinated in Jerusalem by the Ministry for Foreign Affairs and in Brussels by the Israeli Mission to the EEC. Representatives of the Ministry of Finance, the Ministry of Commerce and Industry, and the Ministry of Agriculture gave technical advice, and served often as roving ambassadors to explain Israel's proposals.

The European Parliament, meeting in Strasbourg, lacked decisive powers, but its recommendations had a wide audience, and it took a sympathetic stand on Israel's requests. The political groups of the parliament as well as other

organizations, such as trade unions, declared time and again their support for a closer link with Israel.

During 1961 there was an intensive exchange of notes and memorandum, but only in September 1962 did the Council of Ministers of the EEC decide to open proper negotiations with Israel "in order to find solutions to the problem of commercial relations." It therefore excluded the possibility of discussion on association or even a preferential agreement because these clearly fall outside the scope of "commercial relations."

Israel was faced with the dilemma: to persist in its proposals, or to negotiate on a step by step basis. The latter course was chosen, and on November 26, 1962 the negotiations opened in Brussels with the late Levi Eshkol, then Minister of Finance, heading the Israeli delegation, and Mr. Rey at the head of the EEC representatives.

Difficulties arose as the Community was not ready to grant a preferential agreement and the rules of GATT also created problems. Moreover Israel was not a principal supplier of any product to the Community, and trouble arose on the question of a customs reduction which could benefit an Israeli product mainly.

During the three stages of the negotiations (November 1962, June 1963 and March-April 1964), the Israelis presented many new

proposals, among them the idea of the "European product." This envisaged that an Israeli product made of European raw material should be exempt from the custom duty on the raw material when entering the Community. This plan was rejected, but we clearly demonstrated that the narrow approach of the EEC could not solve our problems.

On June 4, 1964, the first agreement was signed in Brussels: a commercial treaty which granted to some 20 Israeli products a custom reduction of 20%, and rising to 40% for fresh grapefruit.

No one had any illusions about the economic value of such an agreement, but Israel regarded it as a first step, and Mr. Rey expressed a similar view at the European Parliament.

The parliament had shown great interest in the negotiations. In February 1962 a delegation came to Israel and in January and in May 1964 reports were submitted to the parliament on relations with Israel. An official delegation, which included the President of the Parliament, Mr. Duviesart, visited Israel in November 1964. Another report was submitted and the parliament reaffirmed that "only an association of Israel to the Community would fully satisfy the reciprocal interests."

Israel continued its extensive diplomatic activity, and in October 1966 a memorandum was simultaneously presented in international arena. □

Brussels and in the capitals of the EEC asking for full association. During the Six Day War, on June 7, 1967, the Commission recommended an association with Israel, giving proof of goodwill and courage.

BUT THE next round of negotiations had to wait as the political situation had changed and, according to "Le Monde," France was refusing to negotiate a preferential agreement with Israel. This opposition was overcome thanks to a package deal linking the agreement with Israel to a similar one with Spain. The two new agreements were signed in Luxembourg on June 20, 1969, and came into force on the 1st of October for five years.

Over a period of five years most of Israel's industrial products were to be allowed customs reductions which would progressively reach 50% of the Common Custom Tariff. Israel, in exchange, had to reduce its own tariffs on four lists of European products until a maximum reduction of 30% was reached. This agreement, being a preferential one, was a major breakthrough, and introduced the idea of reciprocity. It also gave to Israeli industry a first taste of European competition.

The enlargement of the Community with the accession of Britain, Denmark and Ireland on January 1, 1973, worried Israel as Britain was an important buyer of Israeli goods and its tariffs on agricultural products were scheduled to go up till they reached the common external tariff of the EEC. So Israel renewed its effort for a broader agreement.

Earlier, in June 1972, Maurice Schumann, the then French Foreign Minister, had presented to the Council of Ministers of the EEC the idea of a global approach to the countries of the Mediterranean. Because of contrasting political interests the nine members of the Community had long internal discussions on this proposal. Some wanted to advance mainly towards the Arabs, some to Spain, others to Israel.

The war of October 1973 and the oil embargo prompted the Nine to publish a declaration on the Middle East on November 8 asking Israel to withdraw to the so-called "lines of October 22," and defining the Palestinian problem as political and not only humanitarian.

In July 1974 the Council of Ministers gave a new mandate to the Commission, and the negotiations were concluded in December 1974. The final meeting began at 8 o'clock of an afternoon and continued non-stop until 7.30 the next morning.

During the visit of Foreign Minister Allon to Paris in April 1975, France was persuaded to drop its demand that the signing of the agreement with Israel should be postponed until after the pact with the Maghreb countries had been completed. Thus on May 11, 1975, the agreement for a free trade area between Israel and the EEC was signed in Brussels. An additional protocol on industrial, scientific and financial cooperation was signed on February 6 of this year in the same castle of Versailles where Ben-Gurion had met Prof. Hallstein 17 years earlier.

The full story of the complex diplomatic activity that brought about the pact with the EEC has yet to be written, but it is not too early to describe it as one of the most patient, well-planned and successful actions of Israel in the international arena. □

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מקדא מן האל

ISRAEL AND THE NINE

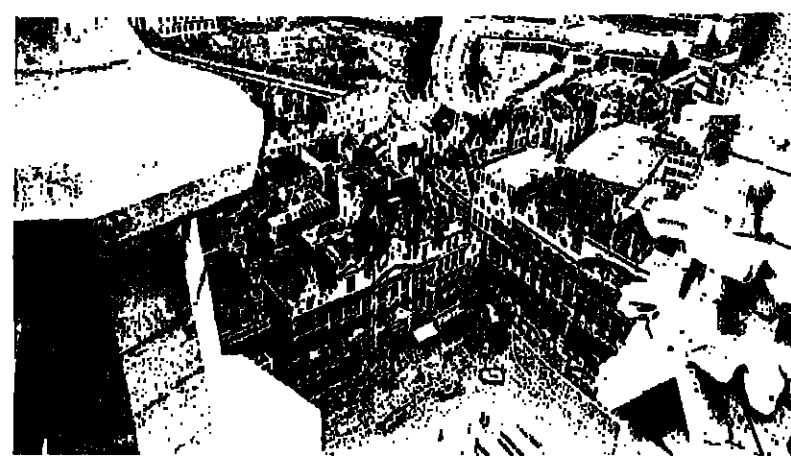
"We cannot achieve miracles. We can reduce tariffs on both sides. But that does not mean trade will improve overnight. We are going to face a lot of hard work both in Israel and Europe in order to get results." Post Correspondent JACK MAURICE discusses Israel's trade prospects with the Nine with Mart administrator Elio Germano.

BRUSSELS. — Mr. Elio Germano, principal administrator at the Common Market Commission and a veteran specialist in Mediterranean affairs, prefers to be realistic rather than optimistic about the future of relations between Israel and the Nine.

Mr. Germano recalls that the ties between the Common Market and Israel are almost as old as the Market itself. As long ago as the summer of 1957, a few months before the Treaty of Rome came into effect, the Israeli government took the initiative in making its first contacts with the six-nation European community. The following year, 1958, Israel was the third country to ask to have a diplomatic representative accredited to E.E.C.

Israel's first commercial agreement with the Market dates back to 1964. It was a modest start, providing for temporary and partial suspension of the community's external tariff for a score of industrial and agricultural products. It also granted Israel tariff reductions for grapefruit and avocados.

A few months before this non-preferential agreement expired in 1967, Israel asked the Common Market for an association agreement. Exploratory talks soon began between Market officials and an Israeli delegation headed by Amiel E. Najjar, Israel's ambassador to both Belgium and the community.



The negotiations were long and arduous. Israel failed to get its way over association. But it obtained a preferential trade pact which was signed in Luxembourg in 1970. This marked an important new stage. With a scheduled life span of five years, the agreement set as its target "to promote the growth of trade between the European Economic Community and the State of Israel."

The agreement gave Israel much more generous tariff advantages than its predecessor with a certain degree of reciprocity for the community. Duties on Israeli industrial goods were progressively halved between 1970 and 1973. Simultaneously European imports from Israel were freed from quotas.

Industrial development and in-

vestment in Israel acquired a substantial boost while tariffs on Israeli farm products were lowered by between 30 per cent and 70 per cent. This aided Israel's exports of oranges, grapefruit, mangos, avocados, citrus and vegetables to Europe.

Under the 1970 agreement, about 60 per cent of the European community's exports to Israel benefited from tariff cuts ranging from 10 per cent to 30 per cent.

The agreement was hardly a few months old when a new dialogue began between the community and the Mediterranean countries, including Israel. The occasion was the impending entry of Britain, Ireland, and Norway as new members of the Common Market. Israel had been prompt to draw attention to the impact of the

market's extension on Israel's trade.

The publicity given to these problems prompted the European Parliament and the European Commission to turn attention to the possibility of creating a Mediterranean free-trade area which would encourage not only trade but economic development in the area. This innovation, which became known as the "global approach," required two long years of negotiations. Foreign Minister Yigal Allon signed Israel's name to the Mediterranean Agreement here in May 1975. It came into effect on July 1, 1976.

The most ambitious aspect of the latest agreement is the provision for economic cooperation which is written into its additional protocol and which bids fair to transform relations between Israel and Western Europe. The protocol sets as its targets the development of Israel's productive capacity, exports, industrial cooperation with European firms, cooperation in agriculture and fisheries, encouragement of private investment by Europeans in Israel and joint action in the fields of science, technology and the protection of the environment.

Israel and the Nine have set a rendezvous for the beginning of next year — and, looking ahead, another for early 1983 — at which they will review the results of the global agreement in all its aspects including cooperation. They

might then decide to modify the existing arrangements with effect from 1979 or 1984.

The Mediterranean agreement also contains a financial protocol under which the European Community undertakes to take part in "financing of projects which are suitable for contributing to Israel's economic development." The European Investment Bank is putting at Israel's disposal credits totalling 30 million European Units of Account (1 ECU = 1.36 US dollar).

The trading provisions of the agreement will enable Israel's exports to enter the community free of duty by July 1st this year. The last will involve a final 20 per cent reduction. In return Israel has undertaken to remove its own tariff barriers gradually by January 1st, 1985.

Reviewing the outlook for the future, Mr. Germano says: "The July 1st deadline is arriving against the background of a heavy Israeli trade deficit with the Common Market. But, thanks to the measures which Israel is taking to promote its exports, we can expect this deficit to be reduced."

"Our great hope lies in cooperation. The community does not exercise much control in this new area. It all depends on private organizations. Between the states the creation of a favourable economic climate can encourage traders, industrialists and bankers to be bold and effective."

THE TARIFF agreement between Israel and the European Economic Community, resulting from the 1975 trade treaty, is regarded as a major opportunity for Israel by the two men most directly concerned in the British capital.

Amos Lavee, 43, the Israeli embassy's economic minister, and Yehuda Atzmoni, 45, the embassy's commercial counsellor, are highly optimistic at the prospects ahead for trade relations between the two countries, and between Israel and the EEC as a whole.

They explain that the July 1 deadline for tariff removals applies only to industrial goods. Tariffs will remain for some time on agricultural products. This was done to protect Italian products, including processed foods.

THEY point out that the Treaty of Rome — the basic framework of the EEC — related to industrial goods, with foodstuffs coming as additional items. And until today, the main source of dissension among the EEC member-states is over their common agricultural policy regarding their wine and milk "lakes," and their "mountains" of butter, eggs and cheese. Israel's treaty with the EEC is mainly concerned with industrial goods, although numerous concessions on farm exports are received. It will take until 1989 for all these protective tariffs to fall.

THE DIFFERENCE between the United Kingdom (and Ireland) and the rest of the EEC is that there were hardly any tariffs on farm imports — and nothing on citrus, for example, a major element in Israeli exports to the UK. Britain is gradually raising its tariffs on these imports, in keeping with levels in other EEC countries. Atzmoni points out that these tariffs and their upward changes have little influence as



Mark Segal reports from London

compared to other factors, like the fluctuation in the sterling rate. Lavee notes that Britain itself made few preparations regarding customs duties in advance of joining the Market, because they play only a minor role in the trade relations. He believes the devaluations in the pound sterling have had a much sharper effect.

The economic minister says Israel is placed in a more advantageous position for selling to Britain, and other EEC countries, because of the conditions of the treaty. Thus, Israel enjoys the same status with the UK as France does, based on the Brussels treaty. Lavee mentions the important point that Israel's

non-EEC competitors have to pay 4 to 8 per cent more due to this protective trade barrier, which gives Israel a flying start. Israeli electronic products have an advantage over American goods, for example. In West Germany, the situation is even better and profits are higher than in Britain — because the mark is stronger. Atzmoni predicts a 10 per cent increase in Israeli exports to the UK in 1977, as compared to an 8 per cent rise in 1976. He expects to see a real spurt in 1978, with the expected recovery of the British economy.

THE LATEST figures on Anglo-Israel trade, according to British sources, shows a marked improvement in Israeli exports to Britain in the first quarter of this year. There was an increase of 32 per cent in imports from Israel between January and April — £86.4m, as compared to £50.4m. for the same quarter last year.

This compares to the 8 per cent drop in British exports to Israel, £78.3m, compared to 79.7m. for the first quarter of 1976. The UK trade surplus with Israel for the first quarter of 1977 was reduced to £8.9m., compared to £20.3m. for the same period last year.

The largest Israeli export item to Britain remains fruit and vegetables (£25.9m. for the first quarter of 1977 as compared to £23.3m. for the same quarter of 1976). Diamonds comprise a sizable chunk of this bilateral trade: Israel sold £8.8m. in the first quarter of 1977, compared to £5.9m. for the same period last year. Britain in the first quarter of 1977 exported £30.6m. in diamonds to Israel, or nearly half of the total British exports to Israel.

A major reason Britain has dropped from being Israel's second trading partner to third place, after the U.S. and West Germany, is the psychological

effect of the Arab boycott, Lavee says. Some British companies refuse to operate in Israel. But there is no case as yet of British electronic products declining to buy from Israel, he says. The economic minister is pleased at the launching of a serious counter-boycott campaign in this country. He notes that while all firms submitting to the boycott get publicity, this is not the case with those ignoring Arab blackmail.

ATZMONI EXPLAINS Israel's advantages over those countries without a treaty with the EEC. Israel is not affected by the trend to greater protectionism of local industry. Thus Market import quotas are being imposed on goods from Korea, Hong Kong and Eastern Europe, with a 50 per cent duty being slapped on fashion imports. This does not affect Israel, because of its admission into the "closed club" of the Community.

Atzmoni noted the marked progress of Israel's fashion exporters, and singled out the influence of Israel's Fashion Week. He pointed out that Britain sent the largest delegation to the event. Lavee and Atzmoni praised the work of the Economic Council for Israel in this connection.

Atzmoni has a dream of opening an Israel trade centre here, to serve as Israel's shop window and salesroom to the British and to the millions of foreign visitors passing through London every year.

He revealed that such a scheme is already operative in New York, with the next centre due to open in Düsseldorf. London is next on the list.

Atzmoni sees great prospects here, noting how Israeli fashion exports to the UK have grown by 50 per cent in recent years; and Britain could prove a growth market for the products of Israel's science-based industries.

PARIS. — Israel's long-standing unfavourable balance of trade with France appears to be swinging the other way thanks to a remarkable improvement in commercial relations between the two countries.

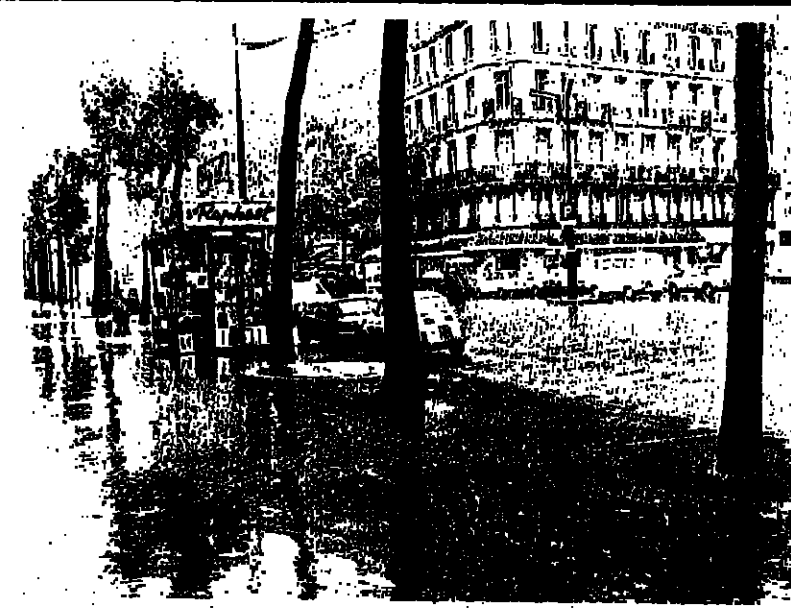
The reasons are complex and multiple. The recent visits to Israel by French Foreign Minister Louis de Guiringaud and the former Minister of Industry, Michel d'Ornano, have helped to clear an atmosphere clouded by the obsequiousness of many French civil servants and businessmen towards the Arab boycott.

The passage through parliament of a new bill outlawing complicity with the boycott appears to be infusing new courage into producers who hitherto were reluctant to run the risk of trading with Israel. For instance, a French manufacturer has just sold Israel 44 railway freight wagons for six million francs.

The latest trading figures for the first quarter of 1977 show that Israel's imports from France were covered by exports to the tune of 91.2 per cent, compared with 59.8 per cent for the same period last year.

During this quarter, French exports to Israel totalled 224,782,000 French francs, a 26 per cent improvement since 1976 while French imports from Israel rose to 246,162,000 francs, an increase of 27 per cent.

Commenting on the warmer trading climate, an Israeli banker said recently: "We are witnessing the re-opening of lines of credit. Some 25 million francs have just been made available for this pur-



Jack Maurice reports from Paris

pose." Francois Pereire, a leading Paris banker and president of the France-Israel Chamber of Commerce, told The Post in an interview here: "We are garnering the results at long last of many years of intensive propaganda throughout the business community."

M. Pereire highlighted France's promotion to the top spot in the league for tourist movements to Israel from Europe. The French wrested this position last year from the British.

He commented: "The explanation is the efficient commercial policy conducted by both EEC

and Air France. The Israeli airline has concentrated on making contacts with works committees in firms which organize their own holiday and study trips. People from farming areas are coming to Israel through the Credit Agricole Bank's travel service Voyage Conseil. They are discovering Israel for the first time."

M. Pereire is reluctant to consider the trade battle as won by Israel. He stresses that French automobile sales have been hampered by Israeli restrictions at a time when last year's drought compelled the French to import more farm produce from Israel than under normal climatic con-

ditions. But he told me: "Franco-Israeli trade remains the only case of something close to balance between an industrial country and Israel."

The President of the France-Israel Chamber of Commerce said that in 1976 France was the biggest European investor in Israel. He added: "There were two or three really major investments during the year. But don't let us be blinded by these results. It is still difficult to encourage the business community to invest in Israel."

A major reason, according to M. Pereire, is that a bearish market prevails in France with industrialists needing all their credit and investment facilities here at home.

People who look abroad for investment opportunities — and many are tempted to do so by the possibility of a left-wing government coming to power in France next year — look for countries like the U.S. which do not present any social or political risks.

The Chamber of Commerce is trying to focus French investment towards areas where Israel has special expertise such as in electronics and fine chemicals. Israel's Institut — of advanced studies enables foreign investment to be supported by a high level of technological research, thus providing a strong lure to some investors.

Relations between the business communities of France and Israel are good, according to M. Pereire. "Over the past ten years only two disputes have been submitted to our Chamber for arbitration."

M. Pereire recognizes that the Arab boycott continues to act as a brake on trade between France and Israel. He has hopes that the new French legislation against the boycott will help to remedy the situation, although he warns against excessive optimism on this score. "The anti-boycott movement is effective as a political lobby. But it would not be realistic to imagine it will have a big impact," he says.

The new bill, which ended its passage through the French National Assembly and Senate early in June, provides for prison sentences and fines against people who cooperate in discriminatory trading practices against other countries. The sponsors of the law, who have banded together in a movement for the freedom of trade, of which M. Pereire is a member, had a tough fight to get it onto the statute book against the delaying tactics of a reluctant French government.

"Many Arabs are doing business with people who trade with Israel. I tell my business contacts to be brave and to do business with both Israel and the Arabs," he says.

M. Pereire summed up: "The outlook for trade between our two countries is favourable. If you accept Holland, because of the special characteristics of the diamond trade, France ranks number four for its volume of trade with Israel — after Britain, Germany and Italy — and number two for imports from Israel. This is an encouraging situation and I believe that it will improve even more in the years to come."

WEST GERMANY, with its 60 million inhabitants, immense purchasing power and tendency to import more goods from Israel, is perhaps today's most exciting target within the European Community for Israeli business.

It is also one of the most challenging, according to Uriel Eyalat, head of Israel's new trade and industrial office in Düsseldorf.

Even after introduction by the EEC of zero tariff on Israeli industrial products, there will still be "serious competition for exports to West Germany, cost-wise and business-wise," says Eyalat. Providing Israeli exporters with information on the German Market and helping them establish necessary business contacts are the objectives of Eyalat's Düsseldorf office, which opened last year with a staff of five. It now handles up to 150 queries monthly.

The trade office is only part of Israel's export offensive in Germany, marked over the past 18 months by the establishment of mixed economic commissions, the signing of an investment protection agreement and the exchange of high-level business delegations.

THE INVESTMENT agreement now in effect is designed to encourage German enterprise in Israel, where investors can take advantage of skilled manpower and relatively low wages to manufacture and export duty-free to the European Community.

In March, 1976, a high-level German industrial delegation returned from Israel, visibly impressed by the Jewish State's advanced



Anthony Murray reports from Bonn

level of technology.

This spring, two Israel delegations, an eight-man group from the chemical sector and 20 representatives from the metal industry, visited West Germany, meeting with government and industrial figures to explore specific avenues of co-operation.

Areas of co-operation under consideration include Israel production of semi-finished goods or industrial parts for German firms for whom such work would be too costly at home or would block capacity for more profitable lines of production.

All this activity is ultimately directed at narrowing the trade

deficit with the Federal Republic. Though Israel sells more to Germany than to any of the other eight EEC nations, its imports from Germany are considerably higher, with machinery, electro-technical products, automobiles and chemicals topping the list.

NEVERTHELESS, the prospects for narrowing the gap now appear more promising than in the past. Last year, Israel raised its exports to the Bonn Republic by 27 per cent, from \$161m. to \$206m., and reduced imports by 4.2 per cent, from \$398m. to \$386m. This meant a drop in the trade deficit by roughly one third from

1975. Trade officials say the figures for the first two months of this year indicate the trend is continuing.

There are several reasons for this — better sales promotion and the fact that EEC tariffs were already slashed by more than half on Israel's industrial goods after the free trade treaty came into force in mid-1975.

But probably the most important single factor, according to Israeli officials, was the government's declared policy of cutting domestic consumption and providing incentives for the export sector.

Today the most important items in Israel's sales to Germany are agricultural products and processed goods, which represent \$76.8m., or a good third of total exports to Bonn. On the industrial side, it is diamonds, which amount to just under \$40m.

Both farm goods and diamond exports to Germany rose significantly, by 87 and 28 per cent respectively, in 1976. The only other major industry to do so, according to official figures, was clothing and textiles, which increased from \$12m. to \$28m.

Basic metal products jumped 278 per cent, rubber and plastic goods by 75 per cent, and tools and metal goods by 39 per cent. But each of these accounts for less than \$3m.

Chemicals, electrical and electronic equipment on the other hand, with a total of under \$12m. showed little change.

THE POTENTIAL for expanding industrial exports to West Germany, however, is intriguing to

anyone dealing with the subject, figures for the first two months of this year indicate the trend is continuing.

Hinting at the possible dimensions of such trade, he notes that West Germany imports semi-finished and intermediate products worth DM55b. annually.

"If Israel could supply 0.2 per cent of these intermediate goods, it would mean \$42m. yearly, or an increase of 20 per cent of total exports to West Germany," Mr. Eyalat said.

Eyalat stresses the need for a professional marketing approach to Germany, which in some ways is the most closely-knit economy within the EEC and the most difficult for outsiders to penetrate successfully.

To buy as cheaply as possible, the German retailer generally works with large purchasing firms that supply him with most of his wares, allowing him to stock perhaps only 20 per cent from other sources.

SOME purchasing firms have exclusive access to up to 5,000 retail outlets. The result is that these organizations have unusual power over the specifications imposed on industry, as well as over what products will reach the consumer.

The Israel official suggests that one way to boost sales to Germany would be to develop specialized export companies in Israel, each dealing with a wide range of products and designs in a specific sector, such as auto parts, fashions or toys.

Such companies, attuned to the unique needs of the German situation, could act as intermediaries between small Israeli manufacturers and big German business.

הכרזה מן האסל

on the
first of July
1977
a lot of good ideas
get even
better

Israel's free trade agreement with the EEC. Starting July 1, it opens a lot more hangar doors at Israel Aircraft Industries. Eliminating tariffs lowers the real cost of everything our European customers buy. From our Westwind 1124 executive jets to sophisticated systems and components to total aircraft service. Israel's new special status makes it more profitable for American-based firms to consider joint ventures that merge their know-how and our own. The agreement also gives European manufacturers duty-free

entry to the United States, via production in Israel.* And it opens new markets previously inaccessible to the EEC. With fifteen major facilities employing nearly 20,000 skilled workers, Israel Aircraft Industries is a highly diversified tri-space industrial complex. With a reputation for reliability and ingenuity, for versatility and leadership that add to the value of every IAI product and process. A solid story; all around. And now, the most significant trade agreement in Israel's history makes a solid story even stronger.



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מקדא מן האל

"UNDERLYING all of our activities is the basic philosophy that Elscint should be a large company selling to markets with a vast sales potential," says Dr. Abraham Suhani, president of Elscint Ltd., the Haifa-based manufacturer of medical and scientific instrumentation.

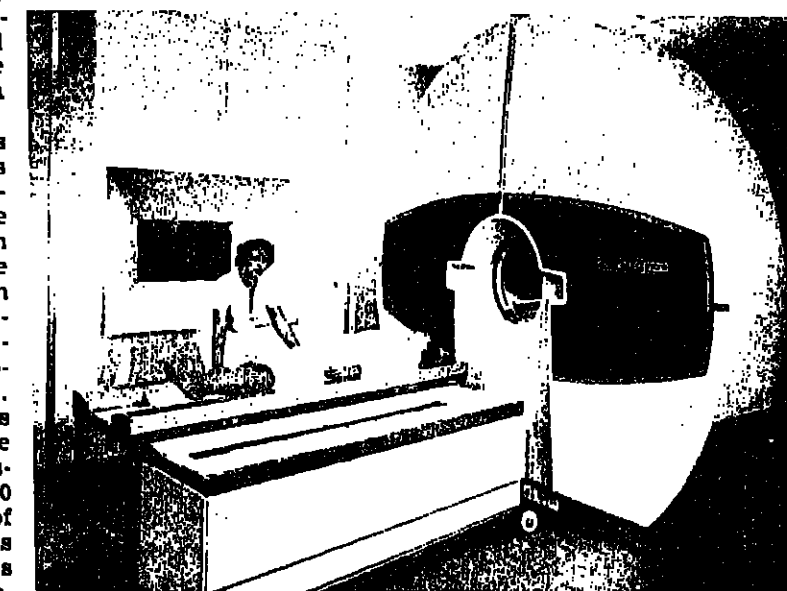
The concept has already been translated into hard-won achievement as Elscint had a turnover of IL110 million in 1976 and a target of IL250 million for the current year appears as a realistic goal.

As 90 per cent of the company's sales are exports, Elscint finds itself in competition with multinational companies whose resources are much greater than that of an Israeli producer. The heart of its success lies in management's control and synchronization of three basic activities: research and development, production and marketing.

Of a total of some 900 employees more than 250 are a part of the R&D team, which has at its disposal a budget of about IL250 million. The production team of 600 includes some 100 engineers and thus strict quality control is possible at all stages of production. The marketing function is carried out by an 80-strong group overseas, located in the U.S. and five European countries, and 30 in Israel.

Profit orientation plays a major role at Elscint. A full 28 per cent of the shares of the company are in the hands of management. The use of a stock-option system for management provides a strong motivation for seeking profits.

NEW AGE MEDICINE



Elscint's Scan-Ex, a combination of X-ray and computer technology.

Joseph Morgenstern

Another 50 per cent of the outstanding shares are owned by Discount Bank Investment Corp. and the balance is in the hands of the public. The company's shares

are traded in the over-the-counter securities market in the U.S.

IN THE few years of its existence Elscint has developed an outstanding capacity in the field of nuclear medicine. The nuclear medical instrumentation line consists of scanners, cameras and data-processing equipment.

However, the most exciting development at Elscint is Scan-Ex CAT. The "CAT," short for computerized axial tomograph, is a combination of advanced X-ray technology combined with data processing computer equipment.

The Scan-Ex CAT scans the desired plane of the human body within 10 seconds and delivers an image after a further 10 seconds. The short time required allows for a very high patient throughput, which is a decisive economic factor for the purchaser. The Scan-Ex is priced at \$600,000 and deliveries of initial units are now in progress. Development of the Scan-Ex product line is consistent with the company's philosophy of aiming at vast markets. A market research study indicates that the world market for Scan-Ex will reach the \$2 billion mark in the next five years.

"Any hospital with 200 beds or more is a prospective buyer for our product. In the United States alone there are 8,000 hospitals who are likely buyers," stated Dr. Suhani.

The speed of use is not the only advantage of the Scan-Ex. In effect the marriage of the computer and the X-ray tube gives the physician a revolutionary diagnostic tool. Lengthy exposure to X-ray, with the attending possible damage to the body from radiation, is minimized. However, more important is the ability to provide a reconstructed three-dimensional image of the inspected body organ with a clarity resolution greater than has ever been possible without resorting to surgery. This is achieved by viewing the patient via X-ray imaging from numerous angles, mathematically reconstructing the detailed structures, and displaying the reconstruction on a cathode-ray tube.

The market apparently agrees with Elscint's evaluation of its new product. "Our biggest problem in connection with Scan-Ex is our ability to expand our production fast enough to meet the demand," observed Dr. Suhani.

Management estimates are that in the current fiscal year, starting from zero sales, Elscint will achieve IL100 million new sales from the Scan-Ex.

The whole area of nuclear imaging is expanding at Elscint. The company is filling the need for mobile bedside equipment, transportable from one department to another within a hospital. Its line of mobile gamma cameras is being used for cardiology and lung studies. The Dymax line incorporates electro-optical and electronic technology for fast studies with short lived isotopes.

Analytical instruments, originally the basic product line of Elscint, today form only 10 per cent of total sales. With sales estimated to grow by 250 per cent in 1977 and twice as much the following year, Elscint is perhaps the fastest-growing company on the Israeli economic scene. It has proven that it can apply a business philosophy of business, harness the best of the technical minds that Israel possesses and create products that find acceptability in American and European markets. □

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PRODUCING WITH STYLE

SUCCESS is beautiful wherever it appears. And it is especially striking when it rears its beautiful head in a most unlikely place — like Kiryat Gat, that sleepy town stretched out on the plains between Ashkelon and Hebron. Since success in Israel usually goes hand-in-hand with *halutz* (Zionist pioneering), we recently set out for Kiryat Gat to see if we could indeed find a *halutz* there. We did.

Haim Pollak was not wearing worn boots, frayed khaki shorts and an open-collared shirt. His hands were not roughened from weeding thorns. His legs were not swollen red with mosquito bites; there was no rifle slung across his shoulder. But he is a *halutz*, all right.

When we came to see him, Haim Pollak — managing director of Bagir Ltd. — was sitting in his richly furnished, air-conditioned office. The leather wall panelling and high ceiling reflected success. The smart worsted gabardine suit Haim was wearing — and the white pima shirt and tie too — betrayed a fine taste in clothes.

What makes Haim Pollak a *halutz* is that he — like a few dozen other capitalist industrialists here — are setting the foundation for the future economic growth of Israel. As head of Bagir, Pollak directs just one of the five industrial plants established here as arms of Folgat Enterprises by his brother Yisrael, a successful Chilean manufacturer who decided to help Israel in the best way he could: industry.

"Bagir will probably show exports of \$12m. for this year," Haim Pollak began saying as his secretary walked in and dropped a handful of telex messages from abroad on his desk. "...last year we sold \$8.4m. worth of suits and trousers abroad, which was quite a bit above the \$246,000 we exported in 1970."

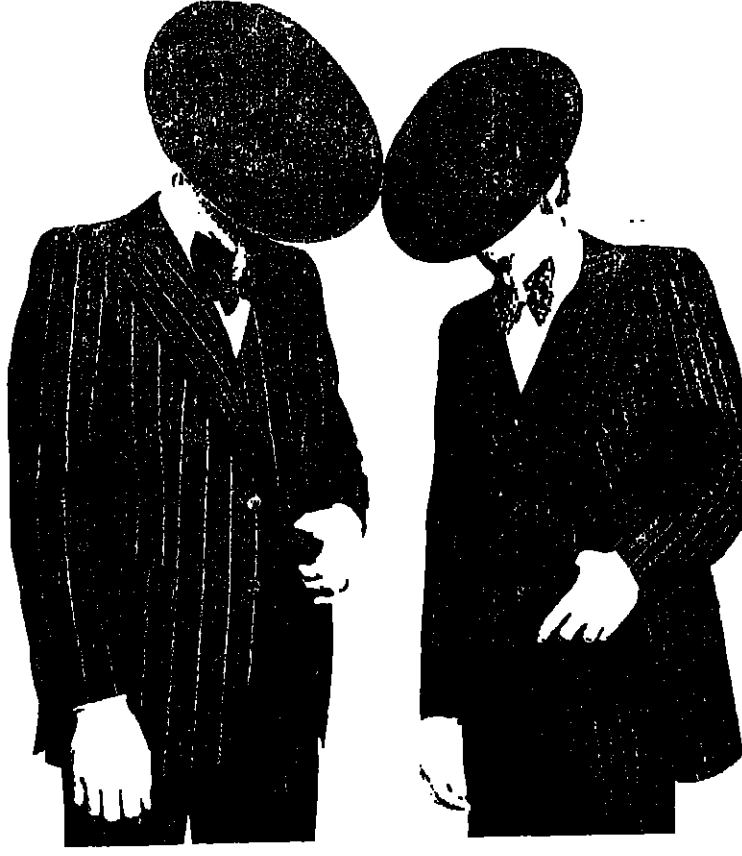
Exporting is what Bagir is all about, we found out. In fact, 86 per cent of the firm's output — 1,000 fine men's suits and 2,000 pairs of trousers daily — go overseas. Common Market countries are prime customers and — if recent market sampling is correct — a new dollar-earner line, "Lady Bagir Fashions," will soon join the company's men's wear range and earn more millions for Bagir.

The job of turning out thousands of garments daily — and good garments at that — obviously calls for very good management. And Haim Pollak, as you observe him at work, ideally suits the job of plant manager.

An affable, unassuming man, Pollak frequently leaves his office to circulate through the plant. His myriad duties and responsibilities do not deter him from mingling with his employees — from senior designer to container packer — and, utilizing his uncanny memory, he manages to address any one of his 860 employees by first name.

No wonder then that strikes and other types of labour-management strife is unknown at Bagir. "I don't like the term 'labour relations,'" says Pollak. "Though labour is a means of production, just like a machine, to me labour connotes humanity. If you don't mind, I'll continue to think of my relations with my workers as human relations rather than labour relations."

More than 1,000 men's suits a day — for export. That is what is happening in Kiryat Gat at BAGIR, an Israeli success story. AARON SITTNER reports.



Mod, mod, mod. It's not the face that counts but the suit. (Mida & Harnamty)

Fostering such a relationship is quite a feat in Israel of 1977, where El Al workers, Government doctors and scores of other worker groups take turns at strangling an already brittle economy. At Bagir, workers are not only apparently satisfied, but also deeply loyal to the company. For example, there are complete family groups — father, mother and one or more children — working at Bagir.

"In a way Bagir is like the army," Pollak jokes. "We shape

The Georgians are among our best workers today. More and more of them are advancing in their jobs and several have even become floor supervisors."

A supervisor looking out at Bagir's football-field sized plant floor sees a manufacturing operation which is probably closer to the modern European standard than that of any other industrial plant in Israel. A mighty mechanized clothing machine made up of hundreds of cutters, operators, trimmers, checkers, pressers and other specialists working like busy bees churns out one container after another of medium and high-priced garments for the voracious foreign market.

To a visitor, the production floor at Bagir resembles a 50-ring circus: a steady stream of finished jackets, trousers, suits and blazers ride along the ceilings in electric overhead trolley conveyor lines. Meanwhile, at hundreds of tables beneath this steady stream of garments, pattern-cutting, sewing and all the other operations continue at a rate scientifically programmed to keep the conveyor trolleys supplied with ready merchandise.

This requires insertion of special high-speed equipment at certain points along the production line. One of these specials is an automatic pocket cutter and stitcher. Operated by just one worker, this machine cuts, trims and attaches 1,800 patch pockets per day to 800 jackets. "It's probably one of the costliest pieces of machinery of its size in the country," Pollak said. "But it's a bargain when you consider it does the work of 40 tailors. We even bought an extra one — that one over there — which just stands idle and covered. You can never know when one of them breaks down...and we'd hate to see production slowed down...so we hold that one in reserve."

Even as Pollak continued his explanation, our eyes could not

realist following the movement of the garments — each in its own polyethylene bag — rolling along the ceiling towards the end of the line. Actually following a garment is not easy, since the conveyor system extends for several hundred metres.

But a momentary break in the movement comes at a control station of the "cablecar." There a fast-working tigger attaches a coded punched card to each garment's hanger. The IBM card's puncher — set by Bagir's computer — is "read" by an electronic switching device which sends the garment precisely to the specific rack where it joins scores of other garments (of varying colours, styles or sizes) headed for the same customer. This could be a retail clothing store in Amsterdam, a department store in London or a boutique in Boston.

Only when sufficient orders have been "built up" does the merchandise move next door to the loading ramp, designed especially for Bagir's fully containerized shipping department.

"Don't go yet," Haim Pollak begged as a semi-trailer slowly backed up to the ramp with an empty container. "It will only take a few minutes, and it's nice to watch." He was right. Working as nimbly as seamstresses, two husky shipping department men didn't take too much time in filling the container — with 6,000 pairs of dress trousers, each still on its own hanger and sheathed in its own soft, clear plastic bag.

Haim Pollak concluded: "If it is true that Israel-manufactured goods serve as this country's representatives, then we at Bagir have nothing to be ashamed of. And that's not a subjective boast...clothing trade people who know their needle have told our competitors in other countries that our merchandise is top-of-the-line for them."

"Now, I ask you, what better tidings could a simple businessman like me hear, eh?"

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מכאן אל הארץ

PRODUCTIVITY IS THE PROBLEM

"Buma" Shavit has become the most articulate and colourful spokesman of Israel's private business community. He discusses with MACABEE DEAN how Israel must face the new challenge of doing business with Europe without tariff supports.

ISRAEL FACES many problems in stepping up industrial sales to Europe — such as the non-tariff barriers — but the biggest problem is here at home: Production by the Israeli worker, manager and plant must become as efficient as in Europe or America, says Avraham "Buma" Shavit, President of the Manufacturers' Association.

Shavit grew up in an industrial atmosphere ("Shavit Metal, Electric and Gas Works"), and his knowledge of the subject is both theoretical and practical, for it is derived from years of experience gained through facing the everyday problems of industry.

In 1976, total Israeli exports amounted to \$860m. But only \$40m. was in metal, machinery, electrical and electronics products. And it is indeed in this area that Israel has to prove its competitiveness, as it has in other fields, such as diamonds, \$205m.; fresh agricultural products, \$213m.; processed foodstuffs,

\$89m.; petrol derivatives, \$60m.; and textiles and clothing, \$65m. To increase industrial sales means increasing productivity, now that the tariff barriers are down, Shavit says, noting that no matter what the political situation is in Israel, the basic problem remains productivity.

"And this applies equally both to management and to labour. We simply can't separate one from the other. We can't have high productivity without both sides functioning as a smooth team."

The Manufacturers' Association is holding a series of lectures and seminars on management. The managers are shown various aspects of the Common Market — how to make market surveys, find actual sales contacts, and finance their shipments — if they are novices in the field. Management is shown how the opening of the Common Market is a major break for Israel's exporters.

Israel is also lowering its tariff barriers, if much more slowly, but

by the middle and late 1980s, Israel in turn will present a wonderful opportunity for European exporters. If Israel's productivity is not raised by then, or if plants are not retooled in order to compete, disaster may strike many local plants.

Breaking the non-tariff barrier is a harder nut to crack, for it means fighting vested Common Market interests: "Often the standards and the specifications are devised by a Common Market 'testing house' so they are patterned to protect some industry in that country. Thus, these testing houses will find one objection after another to an Israeli product, even if it is just as good, or even better, than the comparative European one," Shavit says.

"But this is a game both sides can play. If they don't adopt standards qualifications on objective grounds, we can also do the same thing. These non-tariff barriers are a two-edged sword — they can cut both ways."

THE PROBLEMS of labour efficiency are many and varied. "We must eliminate all laws which decrease productivity," says Shavit. He lists the worst offenders as those so deeply entrenched in the Israeli mentality that they have become "sacred cows" — but "sacred cows can also be slaughtered."

Firstly, he notes the custom of not needing a doctor's certificate for the first three days of any illness. "The days off are therefore there just for the taking — and plenty of workers just take them. "Israel is a country where there are a million and one personal *siddurim* (arrangements) which



have to be made — and life here is geared to accommodate the various government and local officials, not the workers. So the workers must find excuses to skip out of work in order to go to these

offices." Shavit would also like to tie pay to output, not to seniority or anything else. He wants to eliminate the present policy of "automatic promotion" which

without any showing of advance in skills, productivity, or managerial ability.

COULD "controlled unemployment" help to increase productivity?

"I don't know what the phrase 'controlled unemployment' means. I only know that a man wants to work and can't find a job. He loses his very sense of himself as a useful society. I do not see one thing more motivating — to pick up your clock and do as little actual work as possible, just punching the clock in the morning and the afternoon, and holding a second job somewhere else. Perhaps it is not so demoralizing to the man who does such a thing, for there are such types, but it has a disastrous effect on the man employed at the same office who is willing to work, and feels stupid if he does work."

There is a third face to productivity. Every machine must be expected to its fullest. This means producing second and third shifts to cut down on overhead. Extra for these shifts is generally more economical in the long run than letting these machines stand idle.

They, working at night is disapproved to the average Israeli; but he must change his ways," Shavit says.

He concludes: "If management and labour both set out to work together as one harmonious team, if they set their goals to outpace the Common Market, we have nothing to fear from the Common Market; we can only gain."

valuations every few years) the and will fall to IL20 to the dollar. But it will not even stop there, since it will only be continuing a trend which has no end in sight — unless, of course, at the spot in the trend, the standard of living is out.

THE local front, the Export Authority is gearing itself for the ahead. It is now finishing its "reception" of the Israel Company for Fairs and Exhibitions, coordinating better the activities of both bodies. He would like to integrate (if not physically, then organizationally) the Institute for Marketing Research of the Ministry of Commerce and Industry.

The Institute itself, is reorganizing its internal structure to create two main divisions dividing all products into two groups: a consumer goods division and industrial goods division.

He believes that this, together with the idea of setting up "target countries" will widen and deepen possibilities. "Catch the imagination of the buyer" and gradually shifting from catalogues to more progressive methods, such as showing slides and movies of products in use. In addition, he would like to see sources in "sales engineering" — higher learning. (The Technion has taken the first steps in this direction.)

"All too often a person becomes a salesman without the proper background; salesmanship is a profession — and a good salesman must have studied the subject under a good teacher," Hurvitz concludes.

THINKING LIKE EUROPEANS

To penetrate the market of The Nine, Israeli businessmen must learn to "Think European." ELI HURVITZ, chairman of Israel's Export Institute explains what is needed to Post correspondent MACABEE DEAN.

REMOVING the customs barrier between Israel and the Common Market does indeed eliminate one important hurdle, but not all the hurdles, for Israel's penetration of the Common Market. There are still plenty of obstacles left to be jumped, and the race still has to be run — and won.

This is the view of Eli Hurvitz, Chairman of the Israel Export Institute, who in business life is Managing Director of Tova Pharmaceuticals Industries Ltd., and of Assia Chemical Industries.

What are some of the hurdles still remaining?

Firstly, there is the fact that Israelis "must learn to think like Europeans and see things in the same business perspective as Europeans do," Mr. Hurvitz says. "The European businessman generally operates with a small inventory in stock — but with a very active telephone. If he runs low on some item, he picks up the telephone, and he has his stock (more often than not, his 'shelves') replenished within a day or two — if not the same day. This European businessman

doesn't think in terms of warehouses, and just because he doesn't — the Israeli businessman must think the opposite."

This is far from a contradiction. The Israeli must put his goods in a warehouse, or in several warehouses, scattered through Europe. Thus, when the European businessman picks up his phone, the Israeli can ship out his goods just as fast as any other businessman in Europe.

There is an alternative to "warehousing" for the Israeli. This is establishing a method of shipping out goods fast from Israel. "But under existing circumstances, this is a dream, even if we some day overcome the chronic labour troubles along the way, both by ship and by plane. Air Freight is fast enough, but it is costly; and moreover, some agent has to be at the European end to pick up the goods and dispatch them immediately."

Israelis must also establish offices in Europe to receive the orders, he says. Few Europeans will telex an order to Israel if they can telex one within their own

ty. Non-Israeli agents are a considerable help, but many of them work for several firms, and they are not a substitute for the Israeli on the spot.

But even the use of non-Israeli agents is not being fully exploited. "In my field alone — pharmaceuticals — there are fifteen foreign representatives for foreign firms operating in Israel; yet we of the pharmaceutical industry, with about 20 plants, have only three Israeli representatives abroad.

But he notes with satisfaction that Koortrade has established a network of offices and sales outlets in Europe, both within and outside the Common Market, staffed by Israelis and non-Israelis alike.

He believes that a partial solution must be found for those Israelis who are not yet ready to open offices abroad — even though the Israeli government picks up one-third of the tab — yet who need office facilities.

Thinking European also means being able to travel like a European. In Europe, taking a plane from Rome to Frankfurt or from Frankfurt to Paris is easier than taking a bus from Tel Aviv to Jerusalem. One buys a ticket and boards a plane. No visa is needed in the Common Market countries for Common Market country citizens.

Yet, to fly from Lod to any city in Europe involves considerable difficulties: visas, travel taxes, dollar allocations, and so on.

"Moreover, the very trip is prohibitive," says Mr. Hurvitz. "It costs about IL15,000 (including the dollar allocation) for hotel accommodations, meals, and travelling while abroad. Yet it costs the West European only about one-third this price to come here.



"And travel is a must. There is no substitute for personal contact. Once this rapport has been achieved, much of the subsequent contact may be by phone, telex or letter. But even so, these face-to-face meetings must take place from time to time to reinforce the original relationship."

Selling goods is one hurdle. Educating industrialists to think of foreign markets above local ones, and producing at competitive prices, is another. The best way to re-orient the

thinking of industrialists, Hurvitz believes, is not preaching Zionism but by making foreign markets more profitable. He would like to see the pound set adrift, and allowed to settle to its natural level, which he believes, would be about IL20 to today's dollar. But this would have to be accompanied by a drastic cut in the standard of living. If the present system of creeping devaluations continues (which he admits is much better than the former policy of monetary



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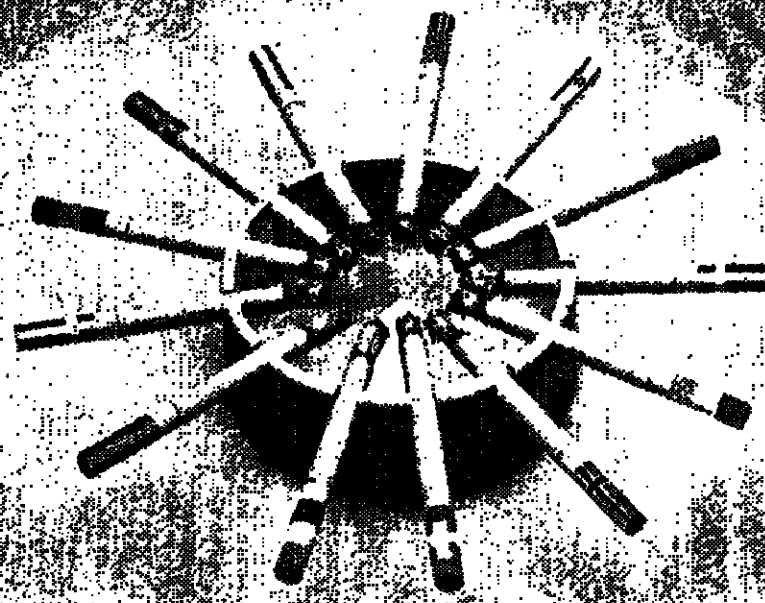
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Koor's headquarters in Tel Aviv.

(Paul Gross)

BILLION-DOLLAR BABY

Macabee Dean

ISRAEL'S ONLY billion dollar corporation, Koor, has shown remarkable flexibility and foresight during its rapid growth. Half a dozen years ago, with Common Market business looming on Israel's horizon, Koor saw its future in exports. And it began to reorganize in order to face the prospects of expanding its market from three million Israelis to 300 million Europeans. Exports of the 220th largest company outside the U.S. ("Fortune" magazine) have increased steadily since then. In 1973 they were \$55m., but almost doubled to \$100m. the next year. In 1975, they rose to stand at \$173m.; last year they stood at \$210m.; and this year they should top the \$270m. mark.

The European Economic Community has absorbed an increasing share of those exports. It accounted for 14 per cent of all of Koor's exports a few years ago, but now stands at 18 per cent of the total. The figures for the first few months of 1977 show that this upward trend is continuing.

"Until the late 1980s and early 1970s we focused our main export efforts on the developing countries of Africa," says Ms. Nurit Wahl, senior economist at Koor, and head of its planning department. "These countries need conventional goods, such as building materials. But the selling of sophisticated goods — in which Israel can compete due to its large reservoir of technical labour and its research and development possibilities — is directed towards industrialized Western countries, such as those in the Common Market."

SOPHISTICATION has many faces, and Koor took the step of selecting those highly technological fields in which it could excel. Since the EEC market is so vast, the list of possibilities had to be paved down to a few specific fields, in which

production would be large enough to reduce production costs, making the product competitive with those of the European giants. Until now, there was a tendency to cater to the local Israeli market, which demanded a wide range of products. The surplus was sold abroad, with break-even prices considered a commercial gain.

The new thinking, Ms. Wahl recalls, reversed this approach. Plants in the future would be built for the sole purpose of selling their output abroad at competitive prices, and only a small quantity would be sold on the local market. The broad lines chosen were: chemicals (which include pharmaceuticals and fertilizers), electric and electronic components and appliances, and agricultural equipment.

Of the IL120m. Koor is spending this year in research and development, about IL200m. is going for work in these three fields: chemicals, IL40m.; electronics, IL140m.; and metal-working plants, IL25m. (These can produce for both the agricultural and electrical lines.)

In addition, Koor has earmarked IL600m. for capital allocations, mainly in these fields. Only a small share of these huge sums are earmarked for local production.

Of this IL600m., the largest chunk will go to build and equip the Machteshim plant at Ramat Hovev, near Beersheba. This plant will produce a range of insecticides, pesticides, herbicides, and related products, all of which are vitally needed abroad to increase field crops.

"One hundred per cent of the output of the Ramat Hovev plant is destined for export," says Ms. Wahl.

THE SECOND largest item,

IL120m., is allocated for chemicals, especially the expansion of the facilities of the Plantex-Ikapharm pharmaceutical line. The new Ikapharm plant, recently completed near Kfar Sava, has been built with one idea in mind: meeting the rigid specifications of the U.S. Food and Drug Administration.

"This will help pave the way for the marketing of the drugs not only in the U.S., but throughout Europe as well," she believes. Some 80 per cent of these pharmaceuticals are destined for exports. During 1977, production in all fields of chemicals should reach IL1,600m., of which \$30m. (about half) will be exported.

One hundred million pounds will be used for expanding electronic plants, to increase the exports of telephone exchanges, telephone and other communication equipment, airplane altimeters, medical instruments, teleprinters, airplane power supplies, etc.

Investments in agricultural equipment will be fairly small, for this field is already well developed. Exports were only a few million dollars in 1976; in 1977, it is hoped they will reach \$5m., possibly twice that much. Eventually, in a few years, it is hoped that this \$5m. annual market will become a \$50m. annual market.

(In some fields, such as sophisticated irrigation equipment, Israel is probably the world leader.) Some IL40m. will be spent on building and equipping the palm tree oil plant in Eilat. There is a large demand for palm oil in many countries throughout the world. This factory will be a "model plant," and it is hoped that Koor will get orders to sell entire plants abroad, based on local refining know-how. Eiz Hanyil, of Petah Tikva, which was bought out by Koor some time ago, has already exported several plants.

Koortrade's global interests

Macabee Dean

ALTHOUGH established primarily to export Israeli goods throughout the world, Koortrade Ltd. has developed into a global trading firm: it will buy and sell, import and export goods throughout the world.

"We will export the goods of a European firm to the Far East; of a Far Eastern firm to Africa; of African goods to South America; of South American goods to the U.S. and of American goods to Europe — or any combination you can think of," states Benjamin Yammal, assistant to the president of Koor for trade, who notes that today Koortrade has 35 offices on five continents. Koor has no offices in the Eastern bloc, but it handles trade to and from these countries.

In 1976, Koortrade had a turnover of \$380m.; in 1977, it is expected to rise to \$500m. Of this figure, \$200m. represents exports from Israel; another \$200m. is sales within Israel itself (including some imported raw materials for processing and export, and some finished goods to complete lines of products); and the remaining \$100m. is in "international trade of non-Israeli goods," Yammal notes.

He adds proudly that of the \$200m. of exports, only about 25 per cent are from Koor plants — although Koor is the largest single industrial complex in Israel: About 50 per cent of the exports are in products produced by private and governmental firms, and the remaining 25 per cent comes from kibbutz industries.

Koortrade handles the exports of 800 Israeli companies: "Many of them are small plants, making their first venture into the export field. It would be beyond their financial and administrative capabilities to go into an export venture on their own. Without our expertise, our far-scattered sales staff, these companies would never even think of exporting. We are willing to do the same for any small company on a steady basis or even on a short-term one," Yammal says. "We have several excellent success stories we like to tell, of the exports of these small companies soaring from \$20,000 annually to a cool \$1m. annually — within a period of four or five years."

OF THE FOUR regional divisions of Koortrade — America (both South and North), Asia, Africa and Europe — the European division has shown the greatest expansion lately.

"One reason is that Koortrade only began concentrating seriously on the sophisticated European market in 1976, with 1976 being the first full year of business. Exports reached \$12m.; and in 1977, they are expected to double to \$24m.," says Ron Guttman, Israel bureau manager for Koortrade (Europe) Ltd.

He adds that the European market, including the Common Market countries, is also "very competitive"; its customers demand the most modern, best-styled products — good quality, at low to medium prices.

The firm's European headquarters is in Amsterdam, but there are very active offices in Germany, the UK, Spain, Austria, Italy, France, Greece, Cyprus and Turkey. Another office will soon be opened in Sweden to handle trade with the Scandinavian countries. (Amsterdam serves not only Holland, but also Belgium and Luxembourg.)

The European offices, like those in other parts of the world, are run by Israelis. The team is headed by Benjamin Gaon. The sales force is comprised of residents of the countries in which the offices are located. In all, Koortrade employs 80 Israelis abroad.

Koortrade concentrates in Europe on five main lines: electric and electronic items; plastics; metal goods, machines, sophisticated work tools; fine and ordinary chemicals; and agricultural equipment, especially for irrigation. "In all these fields, Israel has established a world-wide reputation," Guttman says. These items are supplied by 80 Israeli companies.

THE AMSTERDAM headquarters operates on two distinct levels. It sends its own specially trained experts, generally Israelis, out to the other Koor trade outlets to give them the expertise needed for our specific line of products; then the local experts take over in pushing Israeli goods.

The Israelis also have another job: they serve as a "feedback" network, Guttman says. "They compare prices, styles, quality, new innovations, and marketing services; and all this information helps Israeli manufacturers keep their ear to the ground and to plan ahead. "Only a few Israeli firms could run this valuable service without our help," he adds.

Koortrade is also a partner in a company called ANEC or American-Near East Company, which has offices in Vienna and Frankfurt. Here the emphasis is on fresh fruits and vegetables, flowers, citrus, and processed foods. In 1977, exports will approach \$20m. ANEC works closely with both Agrexco and the Citrus Marketing Board.

"One of the hardest problems we have to overcome is conquering these markets across the seas," Guttman says. "We don't have the advantages of a European plant, which can receive a phone call, and have a shipment on the rails or in a truck a few hours later, a shipment which can cross international boundaries. It takes us days — if we ship by air — and weeks — if we ship by sea — to move a consignment."

"This complicates matters, which are often brought to a disastrous point by the frequent strikes in both our sea and air services."

"We just can't make deliveries on time."

The solution, Yammal notes, is "warehousing," i.e., to keep considerable stocks on hand in a European warehouse (one is already functioning in Amsterdam, another one is to be established in Germany). "This will make us as competitive in meeting delivery dates as any European company," he concludes. □

5 million a year



PLASSON

Looking back on a good year's work, we are gratified to record that Plasson's 1976 exports came to \$5 million — twice the 1974 figure and half as much again as last year. The figure itself is relatively modest but it represents impressive growth. It also represents the achievement of ninety members of Kibbutz Maagan Michael. Plasson's quality products now have an established place in world markets. Plasson exports contribute to the country's economy, and enhance the prestige of "made in Israel".

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הכרזה מן הארץ

LAST YEAR Israel exported 270 million flowers to Europe, and next year it plans to sell even more abroad. Almost unbelievable when one recalls the story told by MK Yitzhak Navon during the election campaign that Israeli officials, preparing for the visit of U Nu, Burma's Prime Minister, in the early 'fifties, ordered flowers from Cyprus.

Israel has come a long way since then. Not only are there flowers in the country all the year round, in flower shops, sold by peddlers in the streets and from stands on the highways, but, as a high official of the City of Hamburg told Israeli journalists recently — the Hamburg flower growers will soon have to find other business in the face of Israel's competition.

Israel's pioneer farmers seemed to believe, in the early years, that "if you can't eat it, then there's no use growing it." In time they gradually adopted the approach that "if it's saleable at a profit — grow it."

Many can claim some credit for the success story of Israel flower-growing: research scientists, agricultural advisers, farmers. But it seems that it has been Agrexco, Israel's agricultural produce export company, which has given the real push to growth. Its close contact with markets all over Europe has continuously revealed new opportunities and new challenges for innovation.

But the Agrexco team is not the sort to rest on its laurels. It is already busy preparing for the winter flower season, which begins late in the fall. This means developing better and more economical ways to pack the flowers to ensure that they arrive fresh and attractive at the markets.

In the coming season Agrexco is to make another big push in expanding the export of carnations. One of the new outlets through

which they will be sold will be the supermarket, where they will go on sale in small bundles next to the check-out counter — a tempting last item to add to the shopping bag.

The special treatment accorded to flowers is shared by all of Agrexco's agricultural produce. "We sell first-class produce. We give it first-class treatment all the way from the fields, through the airports and wholesale outlets, until it reaches the consumer. This is our secret, and is why our customers are willing to pay a higher price for our goods than others get," Moshe Shavit, Agrexco's managing director, told *The Jerusalem Post*.

Agrexco, owned jointly by the

Yitzhak Oked

government and the farmers, was established in 1956, and is not merely a marketing organization. Its basic aims are:

- To plan the growing of special crops designed to meet the standards and tastes of overseas customers.
- To oversee the farmers' operations to ensure that the produce is grown to the highest standards of quality control.
- To coordinate the operation of a "Freshness Chain" that can rush crops from field to market in minimum time.

Today, with the modern

facilities of information, communication and transport, the crops are rushed so fast from the fields to customers in Europe that, according to Moshe Shavit, tomatoes picked in the Arava early in the morning reach the market in Europe the same evening with droplets of dew still clinging to them.

This year's exports will be about \$100m., and Dr. Moshe Ben-David, Agrexco's director of economics and development, is confident that in three to four years they will double to \$200m. despite competition from Europe's own and other Mediterranean producers.

Dr. Ben-David does not expect that Israel will easily receive

more concessions from the European Community, but hopes that some progress will be made in lowering further the tariffs and other restrictions on the sale of our agricultural products next year, when Israeli and European Community officials sit down to negotiate new agreements.

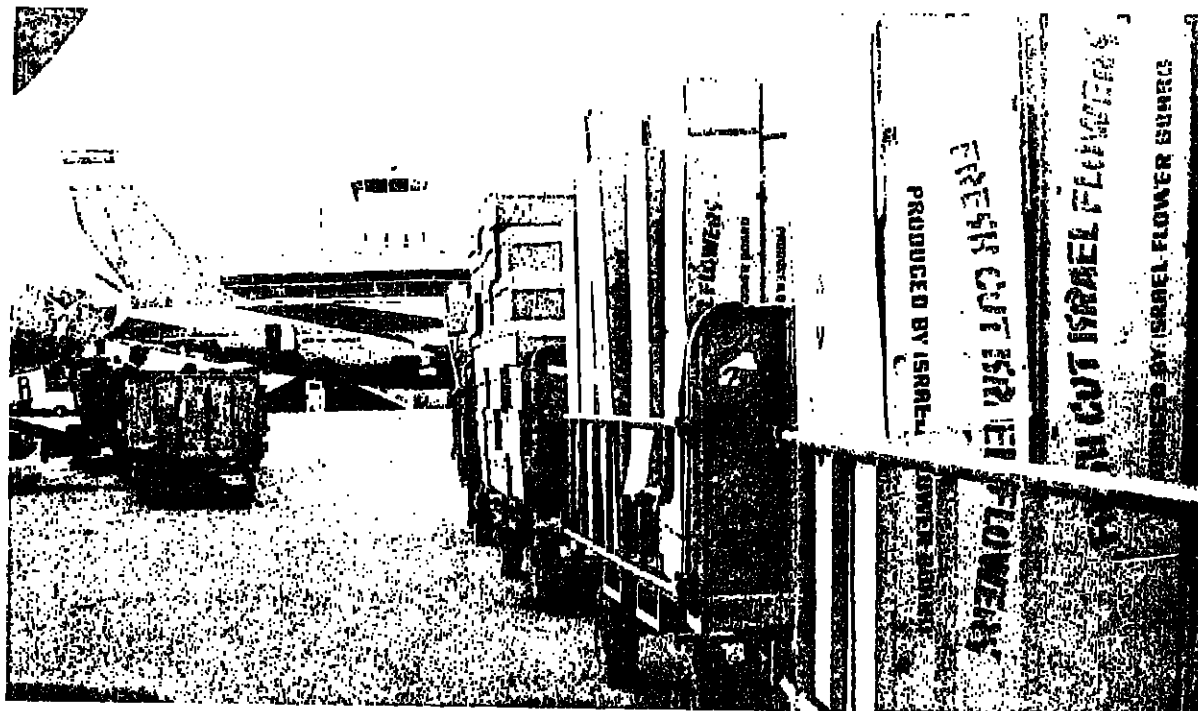
He points out that Europeans have nothing to fear from Israel and its agricultural produce. Compared with the huge market of Europe, Israel is a very small producer. Also, because of our distance from Europe and the resulting transportation costs, Israel will never be able to compete for sales of any but specialized or out-of-season crops.

Israel's further success in Europe will depend on constant development. Agrexco officials are quite optimistic about what Israeli farmers can do. They emphasize that a great part of the agricultural success story — of which the avocado has already become a symbol — is due to the farmers' capacity to adapt new technologies, new farming methods, and to develop new products and varieties.

Among the new delights Agrexco is planning for the European market is the loquat (*sheesh*) — a fruit almost unknown in Europe. Next season, the company plans to ship sizeable quantities of loquat for the first time — following the trial runs, last season, of other produce not previously exported, such as fresh corn-on-the-cob and small radishes.

With increasing diversification, Israel, which in the early years was known by buyers abroad mainly for its Jaffa oranges, and then introduced Europe to the taste of the avocado, will gradually become the supplier of a broad range of "Carmel" foods, including exotic and out of season fruits, vegetables, flowers, honey, goose liver, fish and poultry products. □

Saying it with flowers



STAR OF THE SHOW

Israel's Aircraft Industries is the star in the country's industrial firmament. Less well known is the fact that besides aircraft, IAI produces a broad range of military equipment. ZE'EV SCHUL reports.

BEN-GURION AIRPORT. — By sheer luck the opening of this year's biannual Le Bourget Air Salon comes just prior to the lifting of Common Market customs barriers on a long list of Israeli manufactured goods — including almost the entire output of the Israel Aircraft Industries and its affiliates.

The timing seems perfect, but actually it all came about by chance.

The Kfir C2, IAI's piece de resistance, with its complete weapons and navigations system, should have made its debut at Farnborough last year. The new Dvora mini-missile boat just "happened" to be ready on time and a mockup was placed on the stands. The Shafirrit (dragonfly) water jet propulsion multipurpose speed boat is so new that not even a mockup could be built in time and the boat was represented only in a model scale. Additionally there was the new Gabriel Mark II sea-to-sea missile which has double the range of its celebrated first-generation ancestor, a wide range of sophisticated aviation electronic, radar and communications equipment, and an exceptionally wide range of non-military hardware.

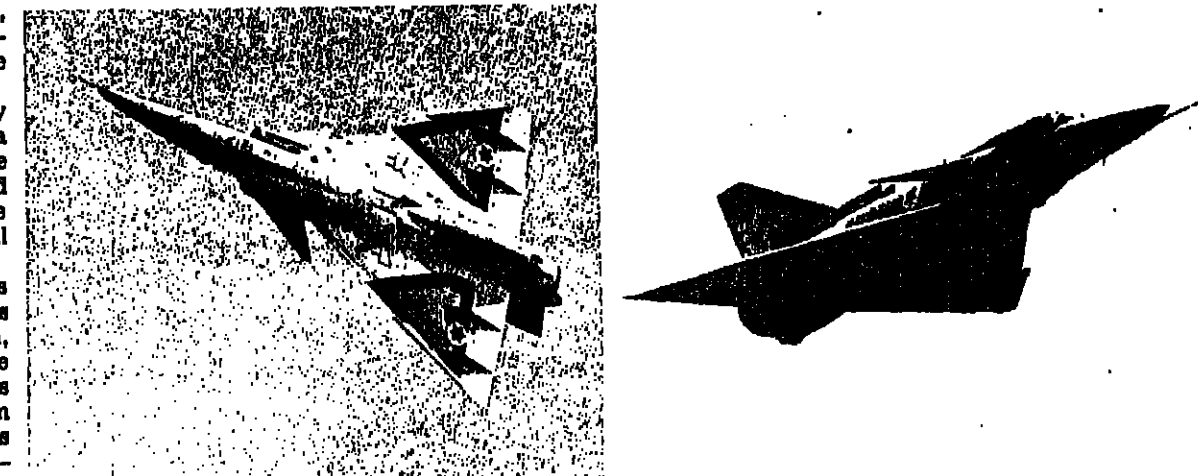
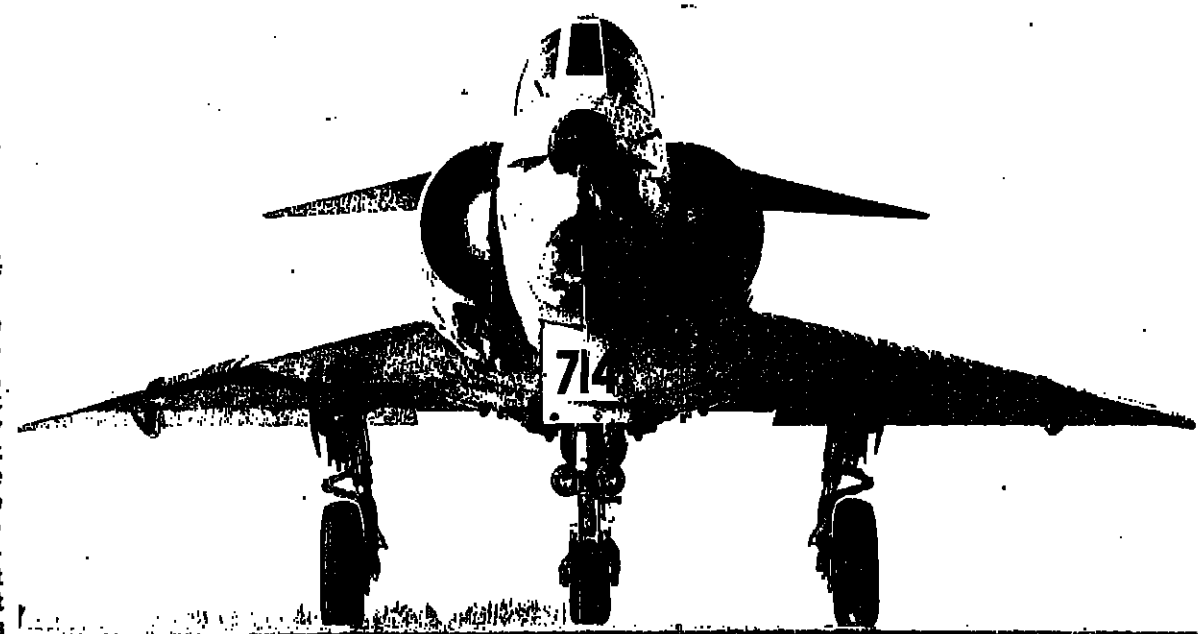
The IAI catalogue has 12 closely printed pages. Just names and a cable-style description. The products themselves overflowed from the company's pavilion at Le Bourget into adjoining and central display hangars.

"Our target is Europe," says Elkana Galal, chief of the IAI's International Relations Division, which won't be easy, although the IAI's association with Europe is not new. "There was a time when we (the IAI) were mainly buyers — for components we couldn't — or sometimes wouldn't (for economic considerations) produce at home. Then came a period of cooperation with many of Western Europe's leading aviation industries. Now we are offering components to be followed, hopefully, with the sale of complete items," Galal says.

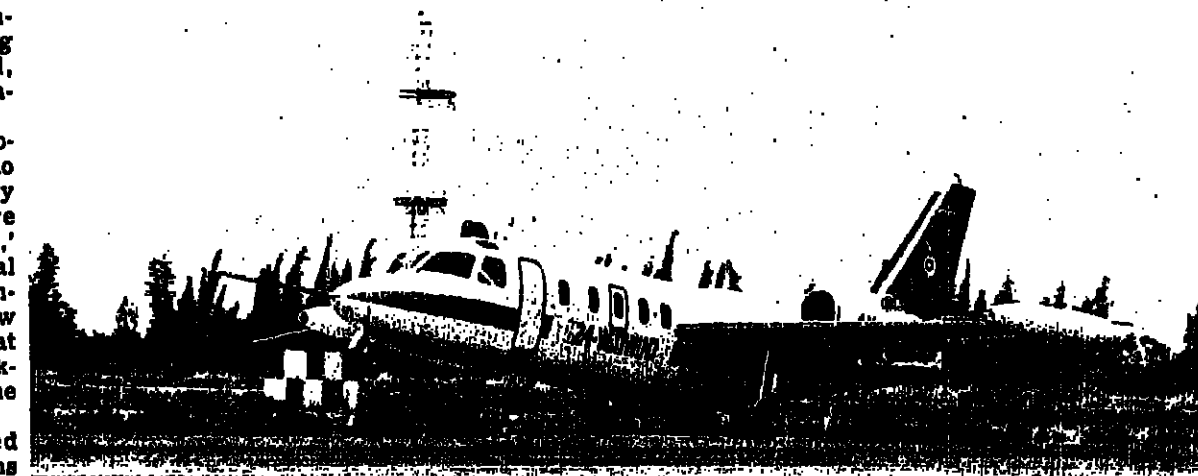
"We have set up a sales promotion office in Brussels. It is no longer linked to the Embassy purchasing mission. We believe we have done our 'homework,' studied the needs of our potential customers, adapted and conformed to them. All we can do now is to hope we didn't err and that this year will indeed see us making a breach in the walls of the Market."

This might have happened sooner, even with the customs barrier, but Israel never "belonged" to Europe and, most important of all, is not a member of NATO. That excludes, almost automatically, the sale of complete weapons systems in all NATO countries.

"There are many items we could have sold earlier like patrol boats equipped with missiles," says Galal. "Now our immediate markets for complete systems lie mainly within the few remaining countries like Austria, Sweden and Australia. These countries



(Above) the Kfir stationary and airborne. (Below) The Westwind 1124 executive jet. (Photos: IAI and Rubinger)



are all highly developed and the market is very limited. But we do believe we could sell components — always provided the price and quality are right. Or little steel helmets (actually a misnomer since they are made largely of special layers of plastic) are a

bestseller. They are lightweight — give better protection and are cheaper than similar helmets offered by the competition. They are being sold today, but with discretion. Our customers don't want their enemies — or their friends — to know what they're buying and from whom."

Typical of IAI's aggressive sales programme is the way it is pushing its Westwind 1124 executive jet into the European radar market. It was a good buy and competitive before tariffs were lowered. Today it is a bargain most. □

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The Europeans are coming

Ze'ev Schul

IT'S NOT only the Holy Sepulchre and the Sea of Galilee which are luring European tourists to Israel these days. Instead, spurred on by a new EL AL promotion campaign, Europeans are coming in ever increasing numbers to skin dive in the Red Sea or take medical cures at the Dead Sea.

"Israel," says Sasha Daphna of the EL AL Management, "is very much on the European tourist map. It's 'in' now."

Although Americans remain the "bread and butter" of the Israeli tourism industry (202,000 arrived in 1976) a well-planned European sales campaign (including free trips to Israel for Europe's top photographers and journalists) has certainly paid off for EL AL. Almost 80,000 Germans arrived here this year (a 57% increase over the 1975-76 season), 10,800 Austrians (an increase of 68%), 27,500 Dutch (an increase of 63%), and 100,000 French (an increase of 30%). Even the number of Italians visiting Israel has leaped by 45%.

One reason is the year round skin diving facilities from Eilat to Ras Muhammed. The Sinai trench, known for its convenient proximity to the shoreline, large variety of underwater panoramas and exotic fish, is considered one of the finest diving areas in the world.

Another is the Dead Sea spas. The number of tourists who came to Israel in 1976 specifically for psoriasis and rheumatism cures was five times that of 1975. Europeans apparently find the Dead Sea's combination of minerals, brine and sun (the area is sheltered from ultra violet rays because of its location 400 metres below sea level) very effective.

EL AL also runs special interest tours which are surprisingly popular. Reportedly thousands of French annually come to look at Israel's Friesian-Holstein cows (which enjoy great fame abroad), regional collective enterprises, sprinkler and drip irrigation systems, hothouses, and flower-growing industry. Other Europeans come for EL AL sponsored educational and archaeological tours.

In the near future, EL AL plans to increase tourism even more by "selling" Israel and its attractions as the perfect stopover for the traveller en route to the Far East and Africa.

Sasha Daphna notes that three additional factors also contribute to Israel's new-found popularity among Europeans. They are the Middle East's current period of political quiet, the improving European economy, and the devaluations of the IL which have made Israel a shopper's paradise for the continental bargain hunter.

Also developing fast is EL AL's air freight division. EL AL's director of the cargo division, Mordechai Turel, is optimistic about the prospects and says that the company will have three freighters in operation this winter. Two of these will be earmarked for agricultural exports and one for industrial goods.

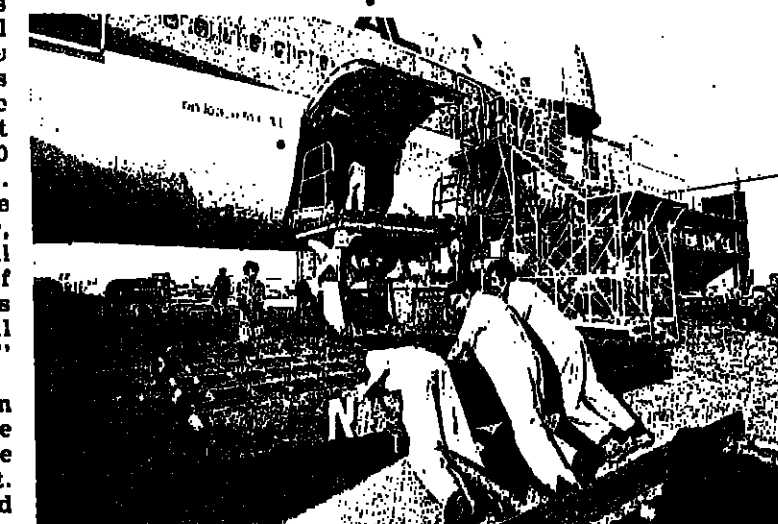
CAL'S FIRST annual balance sheet, being published this month, shows this newcomer to the air freight charter business firmly in the black.

"We have been making good money — hundreds of thousands of dollars this year," commercial director Dadi Borovitz told *The Jerusalem Post*. "The prospects continue bright. So much so, we will be able to afford another cut in freight rates — from \$300 to \$250 per ton (metric) from July. Moreover, we will continue operations through the summer, exporting fruits and industrial produce. We have a backlog of some 12 plane loads piled up for us at the Cologne terminal, all waiting to be flown to Israel," Borovitz said.

He explained that the reduction in freight tariffs follows the growth to \$20,000 of the average "take" per home-bound flight. "We're sold out on the eastbound run to the last available inch."

Most of the goods brought to Israel are raw materials for the plastics and petrochemical in-

CAL — the Wunderkind of air transport



dustrial, aluminium and copper tractors). Borovitz revealed that the company hopes to introduce a second

747 (jumbo) to its service in November, and to hire a third in December.

"In other words, we'll be years ahead of our own expectations. We didn't expect we'd find use for a third jumbo in this decade. Right now we are bringing some 3,000 tons of imports per month as compared to 1,000 tons brought in by all the other companies combined."

On EL AL's "entry" into the charter business: "We welcome it. We are confident that it won't drive us out of the market — after all, our overheads are only somewhere around 1/2 per cent of our turnover. The few officials we have are all productive. My sales personnel has a fixed minimum to 'sell' each month. If they don't sell they don't work for us any longer."

Mr. Borovitz said he had received tempting offers to extend the company's flights to Hong Kong on behalf of various American customers. "But the import volume has grown beyond all expectations, and we have com-

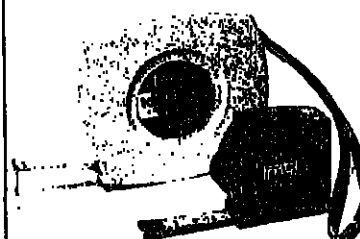
mitments. Israel to Europe is after all our bread and butter operation."

As to running his own fleet of planes? "In the meantime we do not mind operating with EL AL planes or with local crews. I wouldn't mind using them indefinitely — provided they remain available." However the company might "sport our own colours sooner than expected."

CAL has turned out to be most popular in Germany and Europe, where it is treated as the "Wunderkind" of the trade. "The German civil aviation authorities have investigated our mode of operation and came away enthusiastic. So have the local trade journals. It's more difficult to get appreciation at home. So we've decided to let the facts speak for themselves. Facts like reducing tariffs while just about everybody else is raising them. The world trend has been an increase of 12 per cent. Our tariff will have been reduced 15 per cent from next month." □

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PAGE TWENTY-ONE

PAGE TWENTY

THE JERUSALEM POST — ISRAEL AND THE COMMON MARKET MAGAZINE

WEDNESDAY, JUNE 23, 1977

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THE POTENTIAL Israeli ex-
porter, who knows little or nothing
about the Common Market, can
find a vast amount of factual and
statistical information in an at-
tractive 65-page booklet, "Israel
and the Common Market," re-
cently released by Bank Leumi.
Although in Hebrew, it includes
in English several typical forms
which must be filled in when
goods are exported to Europe.
Each member country of the
Common Market is listed
separately, and its import and ex-
port trade with Israel. This allows
the Israeli to study the list of
goods which other Israeli com-
panies have managed to sell to
one or another Common Market
country indicating that if one
Israeli company can penetrate
this vast market successfully, it is
worthwhile for another one to
make a serious try, if not in one
country, then in another. For
although known as a "common
market," the booklet makes it
crystal clear that each country
has not only different economic
problems, but also different needs
and demands.

"This little booklet can provide
a firm basis for any Israeli in-
dustrialist who wants to get an
overall view of the Common
Market," says Dr. Yair Kadishay,
head of Bank Leumi's Marketing
Department. "Once he has made
up his mind, and narrowed down
the field to a target area, there are
dozens of ways Bank Leumi can
help him to actually start to get
his goods moving."

THROUGH ITS various outlets
(subsidiaries and representatives
in London, Zurich, Geneva, Paris,
Brussels, Frankfurt, Milan),
Bank Leumi tries to place the
Israeli exporter in touch with
prospective agents, wholesalers
and distributors. If this step is
successful, the bank tries to find
more specific information about
the terms of credit, etc, and will
also provide him with the
necessary help in the actual paper
work.

Bank Leumi also helps in the
numerous financial arrangements
needed by Israelis, if they are
importing raw materials to
process and export, or exporting
goods manufactured from Israeli
raw materials. The Bank is the
leading institution for financing
Israeli exports. This is done
through the various export funds
which provide credits for export

Macabee Dean

operations. The Bank can also ex-
tend, if necessary, credit to ex-
ports after the normal 180-day
period runs out. The bank also
buys and sells Israeli "forward
foreign currencies," as is com-
mon with all banks active in ex-
porting and importing.
An industrialist who is going to
get paid for his goods in six
months in a certain currency can
never be sure how much he will
get in times of fluctuating ex-
change rates. He might make a
tidy little profit; he may also lose
all his gains.

Therefore, he may prefer to sell
the right to the currency he will
receive in six months to the bank
— and receive the countervalue in
another currency at the same
date. This allows the manufac-
turer to concentrate on producing
and selling, undisturbed by the
risks involved in gambling on ex-
change rate fluctuations.

SINCE ISRAELI EXPORTS to
the Common Market are steadily
growing, Dr. Kadishay notes,
Europeans, South Africans as well
as Americans are beginning to
view Israel as a country in which
to make investments (for ex-
ample, in the banking industry).
Bank Leumi is now preparing an
"Investors Manual" (in English)
which explains the advantages and
problems of making an investment
here.

Dr. Kadishay notes wryly that
even if the Israeli exporter does
not manage to successfully
penetrate the Common Market,
even taking a closer look at it will
give him a new insight into what
Europe is buying — and what
Israelis may be buying soon.

"It often seems to me that many
Israelis are not thinking far
enough ahead when the Common
Market is concerned. They forget
that in a few more years the Com-
mon Market countries will also
benefit from low tariff barriers or
non-existent ones in exporting to
Israel. This may cause an
economic revolution here, sharply
affecting certain companies and
industries, who must begin con-
sidering the impact and begin tak-
ing the proper steps today. Often,
this might mean retooling and get-
ting into different lines of
manufacturing; often it might
mean streamlining existing
production lines to make them
more competitive." □

BANKING WITH VIGOUR

Macabee Dean

THE LAST eight years have seen
Bank Hapoalim play an ever-
increasing and vigorous role in in-
ternational banking. Among its
activities it has helped in the
promotion of the flow of in-
vestments to Israel and also
played a vital part in financing the
country's trade, both imports and
exports.

It is common knowledge that
the government is actively
assisting exporters by providing
subsidized finance in various
forms set up jointly with the bank-
ing system. What is not generally
known is Bank Hapoalim's role in
assisting exporters over and
above the facilities granted in con-
junction with the government.

First, the bank's network of
branches abroad, as well as
representative offices and cor-
respondent banks, provide a first-
class channel of credit infor-
mation. This is used in both direc-
tions.

The Israeli exporter will use the
channel to find out about the
economic strength of prospective
buyers of his products. It is vital
for an Israeli exporter to know the
financial strength of an importer
before accepting an order or
granting credit facilities. Bank
Hapoalim has set up branches in
England and in the United States
as well as a banking subsidiary in
Switzerland and representative
offices in such far-away regions
as South Africa, South America
and Canada. These offices are
used to research and channel in-
formation about various potential
buyers to Israeli exporters.

In addition, these outlets of the
bank can be used by potential
buyers abroad to get information
about Israeli exporters. For ex-
ample, a British clothing chain
will want to find out everything
possible about the financial
strength and the credit worthiness
of an Israeli manufacturer of
clothes before entering into a
business transaction with him.

In addition to providing infor-
mation the bank's branches sup-
ply finance for the movement of
goods between Israel and foreign
countries. In so far as the en-
couragement of Israeli exports is
concerned, assistance may be
given to potential buyers of Israeli
products. This is apart from the
financing granted by the exporter
with the assistance of the Israeli
Government.

Buyers abroad have found the
branches of Bank Hapoalim
receptive to requests for an ad-
vance of funds for purchases in
Israel. Moreover, Israeli firms
which set up marketing outlets in
Europe, America or other parts of
the world obtain lines of credit
from the branches of Bank
Hapoalim to finance the shipment
of exported products. These of-

fices or subsidiaries of Israeli
firms find it easier to deal with an
Israeli bank, which knows their
parent companies for one thing.
Often, these firms find that non-
Israeli banks are less amenable to
credit requests because they have
only a limited knowledge of the
parent companies and their finan-
cial situation.

BEYOND the provision of credit
and credit information to its
customers, Bank Hapoalim seeks
to bring buyers and sellers
together and to assist them in find-
ing opportunities to transact
business. This is done in many
ways. For example the bank plays
an active part in the bi-national
chambers of commerce set up in
Israel and in countries trading
with Israel. The officers of the
bank take part regularly in events
arranged by these chambers to
stimulate the flow of commercial
information.

One of the bank's groups has
gone even further, in the United
Kingdom, by joining with local
businessmen in a company known
as "British Israel Trade Ser-
vices" (B.I.T.S.), which is active-
ly engaged in promoting commer-
cial and investment ties between
firms in the two countries.

Last but not least, the bank has
decided that it is not enough mere-
ly to place its professional ser-
vices as a banker at the disposal
of Israeli exporters. Many poten-
tial exporters appear to know lit-
tle about the mechanics of export-
ing, and so the bank has launched
a new service, to help them, and
this is provided by a subsidiary of
the Investment Company of Bank
Hapoalim.

Many smaller exporters cannot
afford to set up a regular export
department, and their knowledge
of administrative procedures of
financing possibilities and pro-
cesses is fairly limited. Such
firms may have the potential to
compete in world markets, but do
not have the administrative know-
how. To overcome this obstacle
the bank now has its special con-
sulting service.

The bank's active involvement
in foreign trade is in no small
measure responsible for its
dynamic growth in recent years.
Bank Hapoalim has become the
112th largest bank in the world,
with total assets reaching \$72
billion at the end of 1976. During
each of the last eight years the
bank's growth outpaced the
average growth of the entire
banking system in Israel. In addi-
tion to 277 branches of the Bank
Hapoalim Group in Israel
(including its subsidiary banks)
the bank maintains two branches
in London, two in New York, and a
branch in Los Angeles. Additional
branches are soon to be opened in
Chicago, Boston and Manchester.
The bank has a subsidiary in
Switzerland and many represen-
tative offices. □

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הכרזה מן הארץ

Needed — better ways of looking ahead

MANFRED GERSTENFELD, head of International Consultants (and a member of the Central Committee of the Democratic Movement for Change), thinks that Israel does not lag behind the Common Market in mechanization. But it does lag — dangerously — in the brainwork necessary for getting an optimum return out of that mechanization.

"An undertaking can go bankrupt, even if it is stacked with glittering, up-to-the-minute appliances," says Gerstenfeld. "I suggest that Cabinet Ministers stop the habit of paying ceremonial visits to factories."

All this gaping in front of multi-million-pound installations is meaningless. The time would be better spent in cross-examining the manager. Where are his blueprints for the next five years? What changes in his product-mix does he have in mind? On what information does he base his plans?

How was this information collected?

The answer would probably be that the manager has no particular plan, that he keeps his ear to the ground and his nose to the wind, that he follows his instincts, that his experience can be trusted. Whereupon the Minister should give him a good drubbing.

Once upon a time, he should explain, everything was done by inspired guesswork — which is a proper description of the traditional decision-making process. But in Europe, techniques have changed. And Israel is in the process of entering into Europe.

During the next decade, her industry will be stripped of all protection. It will become part and parcel of European industry, for better or for worse.

How different is Europe? The first difference is that the European industrialist can earn money only in the market-place. His

David Krivine

Israeli counterpart earns it partly in the market place, partly at the Palace Building on Agmon Street, Jerusalem (where sits the relevant Government department).

"Industry here is nursed along by the authorities, so there is no pressure to make people do their own thinking," adds Gerstenfeld.

EUROPEANS have to do their own thinking, not only about the present, but also about the future. This is where they part company with the Israelis. Both adopt systematic procedures of investigation, consultation, collation of information — when building a factory, or organizing production. The European uses the same technique when planning for the future. The Israeli does not plan for the future.

What Gerstenfeld urges is the development of procedures for thinking scientifically about tomorrow. This is a Number One Priority, as Israel prepares to enter the Common Market. "Companies have to work out now what they are going to be doing when the tariff barriers finally tumble down. Breezy optimism is no solution."

"For example, we know that much of the durable goods industry won't have a chance, as soon as fiscal protection is removed. One refrigerator plant has closed down already. Instead of waiting for the hand of doom, is it not better, five years ahead of time, to plan how a firm's premises, its trained manpower and its equipment can be switched to the production of something competitive?"

That means getting a team together to include, say, the manager, the financial chief, the senior production engineer, the person in charge of research-and-development (if there is one), and perhaps the personnel officer — plus (this is important) a few of the younger executives, who will be in responsible positions five and 10 years from now.

This planning team should meet regularly and break up every subject into its component parts, analyze each segment, quantify each problem. They should decide what information they need, and commission the necessary studies — market research; cost analysis; an examination of technological innovations; a follow-up into what the competitors are doing and how they are making out.

"You would be surprised what dilemmas such investigations can throw up," says Gerstenfeld. "Some companies may find that they are not going to be a viable entity any more in their present form. They must close certain departments, or maybe merge with one or more other concerns. "Not a few undertakings decided after reflection to acquire a local *piet-a-terre*, by buying a production or service unit inside Europe. That too is an option."

THE 1976 agreement with the EEC puts Israel into the European league. So the rules of the game must be adapted. Obviously, the Europeans will not do the adapting. The Israel Government has to create equal conditions, enabling its nationals to compete.

One area for action is taxation. "Look," says Gerstenfeld, "a man works at a loom in Germany, a man works at a loom in Israel. Both produce for the same market, under the same price conditions. If one has to pay more for his capital, materials, services, or tax obligations than the other, he will fall by the wayside."

There are differences in skills, differences in the scale of production, all sorts of variants leading to different specializations. But the Israeli authorities cannot impose on their own product a levy that the German manufacturer is burdened with. There must be a certain parallelism.

"That is the chief reason why the Israel Treasury introduced value added tax," he surmises. Budgetary needs are greater in Israel, that cannot be denied. But the revenue should not be levied in such a way as to distort production costs.

Labour has to be competitive too, which means we must have fewer strikes and greater productivity. That makes two areas that he lists, where adaptation has to be achieved — taxation and labour. The third, according to Gerstenfeld, is the capital market. He wants the Government to stop monopolizing it, which is a desire that many share. But he has an interesting theory underpinning his view.

At present the Government does all the borrowing, through the sale of linked debentures, and it does all the investing, by channelling the moneys to industry, in the form of (unlinked) loans. As a result, business firms have a small equity (share capital), and a big debt.

Consequently, industry is enfeoffed to the Government. The situation is reminiscent of the one-time protective relation that existed between the *seigneur* and the peasantry within the feudal manor; or (returning to our epoch) the parental relation between a father and his brood of children. Instead of solving their problems by themselves, manufacturers look to their "father figure" in Jerusalem for aid.

WHAT WOULD HAPPEN if the Government withdrew from the capital market, leaving industry to find its own resources? The structure of industry would change. Private companies would have to "go public," that is, sell their shares to the public through the stock exchange, as the only way of raising capital.

Going public means sharing ownership. It is absurd that industry should go on belonging to private individuals, in Gerstenfeld's view. The epoch of the all-powerful industrial mogul, whose word was law, is well and truly past. Managerial responsibilities must still be concentrated; but ownership should be dispersed.

Who would be the owners? Whoever has savings to invest. In the U.S. there are 30 million shareholders. Wage-earners commonly have a little portfolio of securities put by, and can stock-exchange quotations while drinking their morning coffee. That, Gerstenfeld believes, is why labour in America generally refrains from trespassing into the province of management.

"In Europe, it is different. Shareholding is more restricted, so there is a lot of meddling by organized labour with the industrial system, through co-partnerships, participation of labour in the administration, and so on."

"I think," he says, "that this mixing of labour functions and management functions is unhealthy. I think the mixing of labour and ownership is healthy. When the workers have a proprietary interest in industry, they are sensibly inclined to leave well alone, to let the job of management be handled by professionals, to judge a company by its performance in terms of profit and loss. They behave, in fact, like members of a general assembly of shareholders, who expect the Board to check that their capital is properly looked after. They do not behave as competitors for power in the day-to-day running of the firm."

THE AMERICAN business giant Motorola came to Israel in 1964, when it bought a 37 per cent interest in a local electronics firm. The venture proved to be so profitable, that Motorola Israel kept on buying up shares in this company until its equity reached 100 per cent.

Today, the mother company continues to see the future of Motorola Israel in a most favourable light. The best evidence is that it has earmarked \$7m-\$8m. to provide the local firm with a new building, with about 20,000 square metres of floor space, so that the firm's production facilities, now scattered over six buildings, can become an integrated whole. (The site has not yet been chosen.)

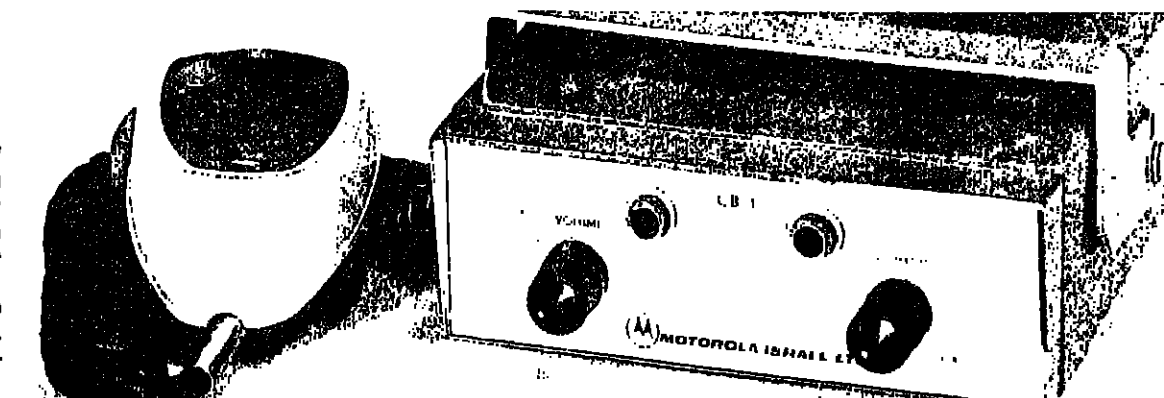
The mother company is also planning to spend another \$2m. for modern manufacturing equipment for the local firm.

(Motorola in the U.S., which in 1976 had a consolidated turnover of \$1,500m., of which 5.8 per cent was profits after tax — has branches in another 18 countries.)

"Our turnover increased from \$14.6m. in 1975 to \$12.38m. in 1976; this year, 1977, we hope to reach the \$1300m. mark," says Hanan Achsaf, assistant general manager of Motorola Israel. Achsaf further pointed out the growth rate of the company and mentioned that even when considering that part of the growth stems from inflation, the overall results nevertheless are impressive.

The same can be said about the growth in exports, since considerable exports were made at a time when the local market was depressed. These exports rose from \$6.1m. in 1975 to \$9.6m. in 1976. This year they should reach \$12.5m., Achsaf said.

There's a Motorola somewhere in your future



Macabee Dean

Motorola Israel functions on two distinct levels — one level — production of two-way communications equipment under licence of the parent company, Motorola Inc., Chicago. On the second level are the constant endeavours made towards the development of new products.

Concurrently, Motorola Israel had invested a great deal in developing new markets where its products could be sold. The endeavours made by the company in the course of the years have finally yielded the anticipated results: Motorola Israel has developed its own systems for alarm control, data transmission, supervisory control, and electronic irrigation control.

The latter promises to make a name for itself in a few years, after intensive tests in Israel have

been finished, and after the markets abroad are located and the systems adapted slightly to specific requirements of each market.

The computerized electronic irrigation control system was developed in Israel before any other place in the world because Israel faced (and faces) two serious problems: the first is that danger of infiltrators sometimes makes it dangerous for a farmer to go out into the fields at night to regulate the flow of water; the second is that Israel is intensely water conscious.

Absorbed, the first problem rarely exists, the second one is gradually beginning to assume more and more importance, especially in

arid-zone countries. Electronic control can save up to five per cent of the water; it can expand the area under irrigation by ten per cent; and it can increase crops by up to 25 per cent.

The reason is that electronic control can be adjusted to wind conditions; it can test the humidity of the air and the dryness of the soil and deliver the exact quantity of water needed. All this is difficult, often impossible, with ordinary manual irrigation systems.

"Moreover, we have developed methods of delivering dissolved fertilizers in these same irrigation systems, thus saving enormous amounts of man-hours, while delivering the fertilizer in a highly exploitable form," Achsaf notes. He adds that the system can also be adapted to spray crops with in-

secticides. So far, exports to the Common Market countries have been relatively small. These consisted primarily of locally developed products. They have been made to Belgium, Holland and France in the last two years, mainly in the field of alarm control telemetry and remote control measuring equipment. (Spain and West Germany are also showing interest in products developed by Motorola Israel.) Less accessible markets have been tackled, specifically Canada and the U.S. (supervisory control systems, burglar alarms, and equipment to monitor power breakdowns) and Singapore (data transmission). Africa and Asia have proved particularly encouraging markets.

Question: Why should any European country buy from Israel when it can buy the identical product from the mother company in the U.S.? Achsaf answers that Motorola Israel's exports to the European market will consist of such products developed and manufactured only by Motorola Israel, which are not obtainable from the U.S.

Motorola Israel does not sell in Europe goods manufactured by Motorola U.S., such as two-way communication equipment. These are marketed throughout Europe by authorized Motorola Inc. distributors or by subsidiaries located in Germany, Italy, the U.K. and France.

Achsaf also points out that Israel can sell to Common Market countries ten to 15 per cent cheaper (due partly to the dropping of custom barriers, plus the fact that Israel labour can produce at a lower price). Another reason is that transport costs from Israel to Europe are lower than those from the U.S.

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THE YESTERYEAR concepts of science fiction have been successfully adopted to the production of a surgical laser at Laser Industries Ltd. The firm, located at the Atidim science-based industrial park, produces a carbon dioxide laser based on the joint invention of Professor Isaac Kaplan of Beilinson Hospital's Laser Surgical Unit and engineer Uzi Sharon. Since its founding in 1973 the firm has sold about 45 such units to users in the U.S., Europe, Australia, Brazil, Mexico, Venezuela, Canada, and Taiwan and five to users in Israel.

The popularity of the carbon dioxide laser in surgery is based on its ability to destroy tissue selectively and precisely. Its beam, with a wave length of 10.6 micron, is entirely absorbed by water, and the biological tissue against which it is applied is 75%

LASERS FOR SURGERY

New products, utilizing Israeli technology, should help forge a bridge between Israel's economy and the Common Market. JOSEPH MORGENSTERN describes one such product, the surgical laser, and the company which makes it.

to 90% water. This allows the beam to vaporize living tissue at its focal point while leaving adjacent tissue practically unaffected. By focusing its energy on a small spot of tissue and moving that spot

along a line, the surgeon can effectively cut to a depth of approximately 1mm.

By sealing as it slices, the laser's action reduces blood loss. hemorrhage. Along with reduced bleeding comes less swelling, less

pain and in some cases faster healing.

Use of the surgical laser also offers economic advantages by increasing the speed of operations and patient throughput. The post-operative in-hospital stay is also reduced.

"Our major problem is breaking down the barriers of conservatism found in the medical community," says Aviy Hallel, manager of Laser Industries. At the present stage of the company's development this appears to be the chief restraining factor. The product has found acceptance and the company's productive capacity is ready for an accelerated sales pace. The five lasers sold and in use in Israel make it convenient to arrange demonstrations for prospective new users.

A visit through the manufacturing plant ended at an almost completed laser unit. What is most striking about the unit is the incredible ease of manipulation possible with the operating head.

At the current stage of development Laser Industries has not yet written off the sizable investment in R & D and the starting-up expenses, but as the market penetration is improving so is the outlook for profitability.

As with any other product, user satisfaction is of paramount importance. In the case of the surgical laser this is even more critical as human lives are involved. A visit to the Orthopedic Department of the Chaim Sheba Medical Center proved to be most illuminating. A pioneer in the use of the laser, the operating surgeon explained the benefits of operating with the laser.

One of the key advantages of the carbon dioxide laser is that it will not penetrate to nerves and vital structures with the obvious possibility of unnecessary internal damage. Outstanding success has been achieved in operations involving hemophiliacs. Patients suffering from hemophilia are deficient in Factor 8 which governs normal coagulation of the blood. When operating on hemophiliacs the surgical laser cuts and seals the blood vessels simultaneously.

While there is no scientific explanation, it has also become apparent that patients suffer less from post-operative pains in cases where nerves had to be cut during an operation using the laser.

It would seem that the surgeon must use his own ingenuity in order to maximize the advantages of the laser. Cutting with the laser is accompanied by a hemostatic effect. This simply means that heat is created in the area surrounding the cut and could lead to damage. The laser is particularly useful in operations when cutting through bone. Yet it was discovered that the hemostatic effect was sufficiently strong to weaken the bone area next to the cut made by the laser.

At Sheba this was solved by the skill of the operating surgeon. He has substituted the conventional cutting technique by a pin-point method which can be likened to perforation, and the subsequent separation is readily achieved. This method avoids deterioration of the bone and allows mechanical joining of the cut parts without any loss of strength at the joining point.

Laser surgery has also been successfully applied in removing small tumors and in biopsies.

It has become clear that the laser, when used in surgery, is not everything that the science-fiction authors envisioned but its many advantages are real and its use undoubtedly will spread. □

Nutrition for chickens

Macabee Dean

ONE OF THE BEST and cheapest solutions for protein-hungry countries, especially those that are highly industrialized but short of grazing space, is raising poultry, which in most cases means chickens. These birds, raised under "factory" conditions, need a very nutritious diet, reinforced by vitamins, if they are to grow up healthy.

Folkman & Dr. Koffler Ltd. have made a considerable success of exporting these vitamins — and feed additives — not only for poultry but for all types of livestock.

"If exports rose by 50 per cent in 1978 compared with 1975, to stand at \$2m., they should pass the \$5m. mark this year," says Abraham Raz, director-general of the firm, which has two plants, one in Petah Tikva and the other in Jerusalem.

"We export roughly half our annual output," he says. "The other half is used locally and covers about one half of all the country's needs. Exports will rise year by year, not sensationally, but steadily, as chicken-raising increases abroad."

Of the many products Folkman & Dr. Koffler make, four embody much of the exclusive know-how which the company developed in Israel. They are NECOXINE (cocciostat for broilers and replacement birds); Vitamin D3; KASTAB (stabilized Vitamin K3); and NEOQUIN (brand of Ethoxyquin, an anti-oxidant which prevents oxidation of vitamins on contact with air).

The advantages of these, and the firm's other products, is that although they use imported raw materials, Folkman & Dr. Koffler have developed exclusive methods both of synthesizing certain vitamins and of coating them in a manner which stabilizes the contents and gives them a shelf life longer than untreated vitamins.

SO FAR the firm has not granted any foreign company the right to use any of its patents. "The reason is simple," says Mr. Raz. "At present, we can meet all the orders we get and we still have the possibility of expansion."

The birth of the company goes back to World War II, when the British High Commissioner was anxious to find a substitute method of obtaining Vitamin A, since the lines of supply to this country had been severely disrupted. He asked Dr. Max Koffler, a specialist in the field newly arrived from Poland, to find a substitute method of producing Vitamin A.

Dr. Koffler thought of extracting it from the livers of sharks which abound in the Red Sea. From this first success, he went on to tackle problems of processing and synthesizing, then stabilizing and coating them. Now in his mid-70s Dr. Koffler still works in his laboratory.

His partner Emeryk Folkman, a businessman from Hungary, died two years ago at the age of 86. The concern was purchased in 1974 by the American firm of Philip Brothers Chemicals Inc., owned by Mr. C.H. Bendheim, who not only takes a personal interest in expanding the company, but is also deeply involved in Israel's cultural life. □

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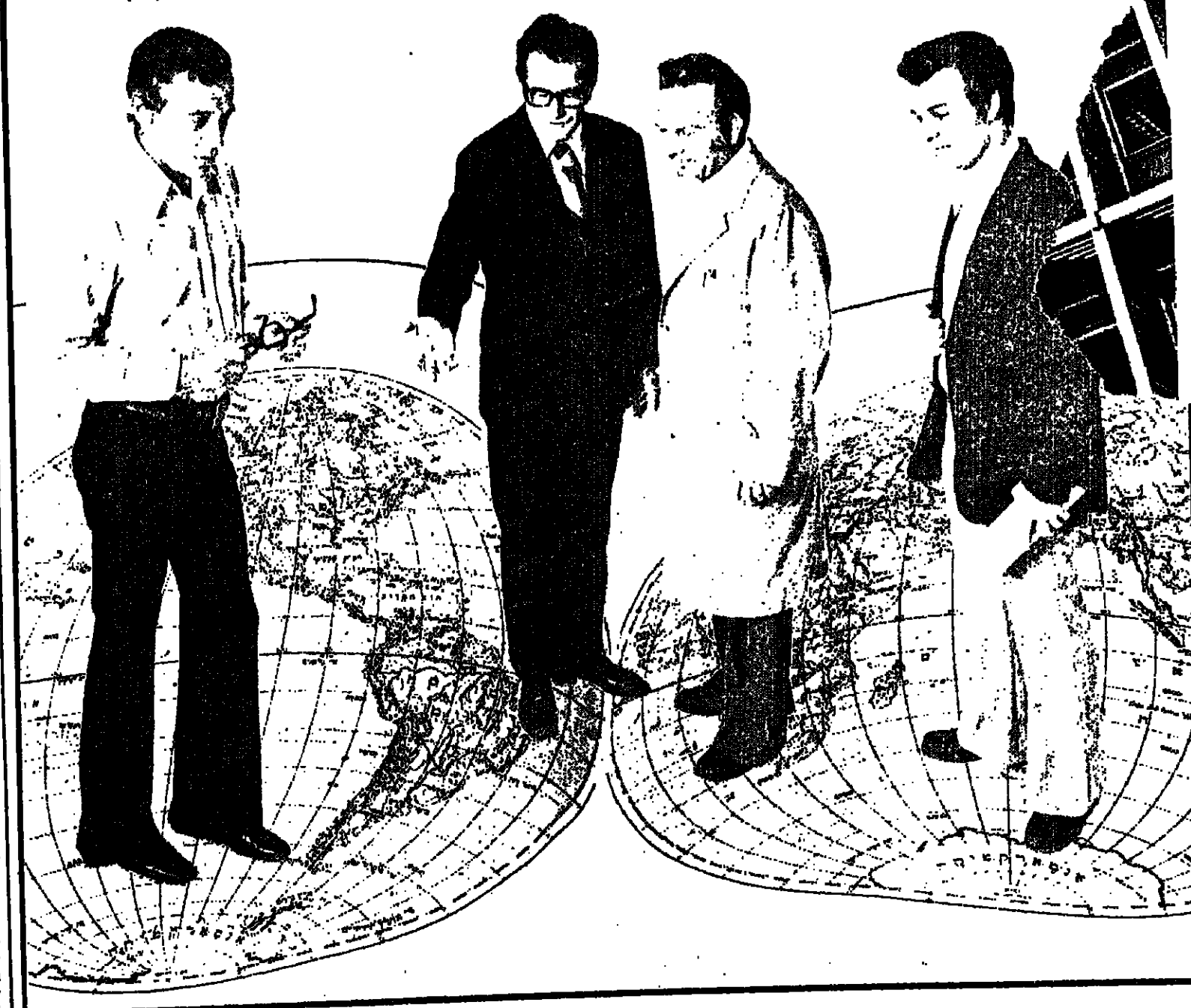
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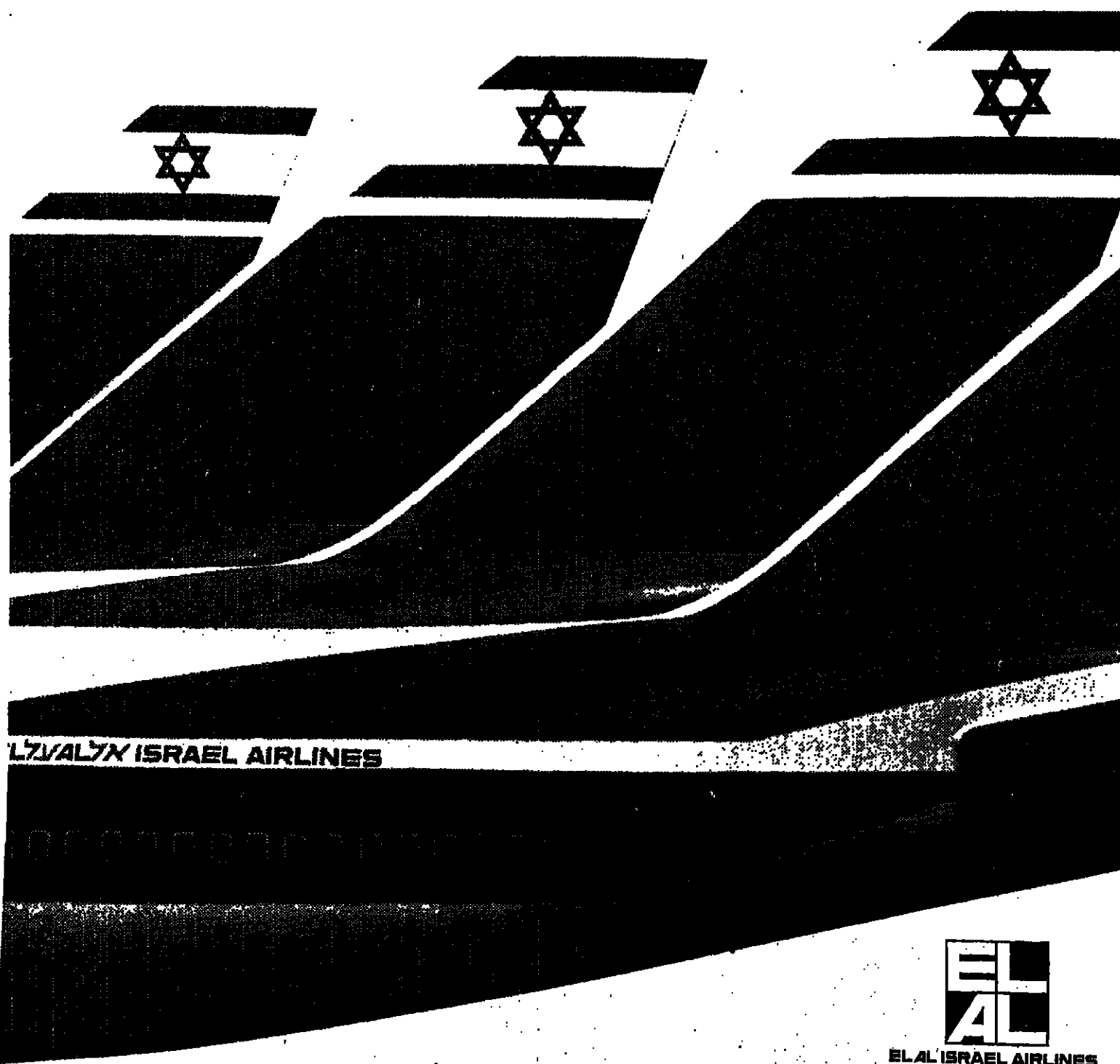
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